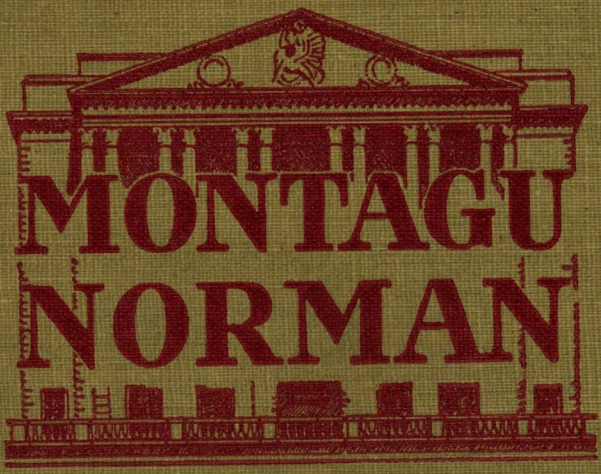
MONTAGU
NORMAN

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MONTAGU NORMAN

By John Hargrave

NOVELS

SUMMER TIME ENDS

THE IMITATION MAN

THE PFENNIGER FAILING

AND THEN CAME SPRING

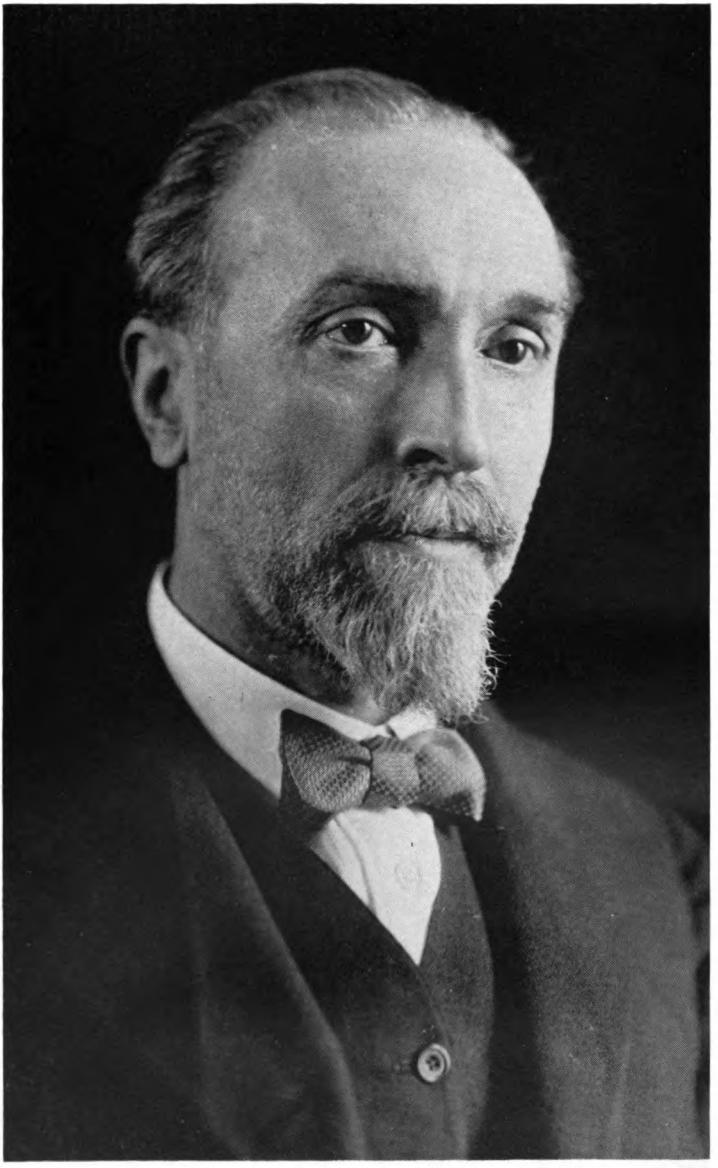
YOUNG WINKLE

HARBOTTLE

ESSAYS

THE CONFESSION OF THE KIBBO KIFT

WORDS WIN WARS



UNDERWOOD & UNDERWOOD

MONTAGU NORMAN

Deputy-Governor of the Bank of England, 1915-1920
Governor of the Bank of England, 1920 —

MONTAGU NORMAN

By

JOHN HARGRAVE

THE GREYSTONE PRESS
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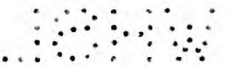

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TO

THOSE AMERICANS WHO KNOW

THAT

MONEY IS NOT REAL WEALTH

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MONTAGU NORMAN

CHAPTER ONE

MYSTERY MAN

IN AUGUST, 1932, a cloaked figure, bearded, and wearing a soft, black, wide-brimmed hat, appeared on the mist-enshrouded quayside at Southampton. It was the No. 1 Mystery Man of High Finance: the Right Hon. Montagu Collet Norman, D.S.O., Governor of the Bank of England, traveling in disguise to New York under the assumed name of "Professor Clarence Skinner." This is the man who controls the financial policy of Great Britain, and, to a large extent, of the British Empire—the most fantastic figure of the age, so "shy" that he has developed an exhibitionist complex, attracting attention by his abnormal efforts to pass unnoticed. He camouflages himself so heavily that he is recognized at once.

He was recognized on this occasion. "Professor Skinner," *alias* Montagu Norman, had slipped aboard, as he thought, unobserved. But a journalist was on his trail. An amusing story is told of the encounter.

Strolling up to the banker-in-disguise, the newspaper man said:—

"Professor Clarence Skinner, I believe?"

"Yes," came the reply from the *incognito* Bank Governor.

"Allow me to introduce myself," said the smiling pressman, "I am Mr. Montagu Norman."

But why all this dressing up in disguise? Why this desire for secrecy? Why this strange theatrical touch? There is a reason . . . It is in the tradition of Finance to move "behind the scenes," and to be unknown. Mr. Montagu Norman follows in the footsteps of a long line of bankers and Bank of England Governors. But, in his particular case, there is a temperament, a psychological "kink," it seems, that runs counter to the age-old tradition, and forces him into the limelight willy-nilly. Some insects camouflage themselves to look like leaves or twigs. It is as though one of these stick-insects became so fearful of being recognized that it made its disguise much too much like a twig or a leaf!

Of all the long line of Governors of the Bank of England, from 1694, when the Bank was founded, to the present day, not one is known by name to the general public except Montagu Norman. Other factors besides his particular and peculiar psychological make-up have produced this effect, amongst them the world breakdown of orthodox financial methods, and the rise of the dictators. In spite of its very real desire to keep out of the picture, Finance has been forced to show itself—and to show its hand.

It is gradually becoming common knowledge that it is

not the Hitlers, Mussolinis, or Stalins who are the real dictators, but the men who lurk in the shadows behind the beflagged and besloganed rostrums—the, for the most part, little-known men who *dictate to the "dictators."*

Montagu Norman is one of these: perhaps the most powerful of all. Certainly the most enigmatic. No clear understanding of the position in Great Britain, Europe, and the world is possible today without taking stock of this sphinx-like, yet strangely will-o'-the-wisp, personality.

A growing body of informed opinion holds the view that Britain has been locked in the "iron lung" of an out-of-date financial technique, and that Montagu Norman has the key in his pocket. They also believe that the patient would rapidly recover from "artificial poverty" if that key were turned and the lock released.

Before recounting in some detail the remarkable career of this mystery man, let us get a quick close-up of what he looks like. Perhaps if we hold in mind that famous advertisement for Sandeman's Port, showing the silhouette figure of a Portuguese cavalero standing like a shadow in cloak and sombrero, we shall catch something of the spirit of the man. For, indeed, there is something conspiratorial about the very look of him. He might easily walk straight from Threadneedle Street on to the stage as a "Don Q," without need for further make-up. The goatlike beard, always neatly trimmed, gives him a quixotic appearance; and this is intensified by the wide-brimmed soft felt hat, worn cocked a-jaunty on the back of his head. Unknowingly he has borrowed a trick from the Mad Hatter, for there is often a ticket

left absentmindedly in his hatband, to enhance still further the air of youthful prankishness.

The eyes are deep-socketed, quick and penetrating in their glance, but set in a dream. Without doubt this is a dreamer. . . . What does he dream? . . . Does he make his dreams come true? . . . If you said, "There goes Montagu Norman, the well-known artist," the look of the man would confirm your description. At the back of those eyes, and beyond the dream, there is something else showing through—*anxiety*. . . . A deep and fundamental sadness filled with fear . . .

The delicate hands clutch a small but important-looking portfolio and a pair of gloves as he hurries along. All his movements are quick. Too quick. There is restlessness written upon the deeply wrinkled face; restlessness in the swing of the broad shoulders; restlessness in the agile off-the-ball-of-the-foot, all-but-tiptoe step.

Nonchalance, neatness, restlessness . . .

And a brilliant brain. The man is a genius, and his genius lies in his ability to convince himself and the majority of other people that Providence is responsible for his own mistakes.

Any word-picture of the financial Fortunatus of our epoch would be incomplete without the description given by the late Lord Snowden, who, when he was Chancellor of the Exchequer, was called, and certainly was, the "Bankers' Minister." He wrote of Montagu Norman:—"He might have stepped out of the frame of the portrait of the most handsome courtier who ever graced the court of a Queen. . . ."

But that is altogether too Prince Charming to be true.

It leaves out the ghost of a Mephistophelian *alter ego* peeping all the time through the outward appearance of the "handsome courtier." Nor is it really possible to miss the slightly more sinister "self." It gives those peaks to the eyebrows that make the smile at once benevolent and, one might say, sardonic, despite the fact that the eyes themselves have a twinkle in them that holds nothing even remotely satanic.

Put Spanish armor on him, and a conquistador's helmet, and he is instantly fit to play the part of Cortez in the conquest of Mexico. Mexico? This modern conquistador has done better than that. He has conquered an Invisible Empire—quietly, with a most consummate boldness, sitting at his desk in the Governor's room at the Bank, with no more formidable weapon to his hand than a pen. A pen and a telephone. And yet . . . and yet—there is a restless hankering here for more extraverted action. A desire to step stealthily in disguise, wrapped in the Cloak of Invisibility. Something almost of the dark spectacles and—false beard? No, no, the beard, now turned white as snow, is the real thing. Yet there is that childlike impulse towards make-believe that breaks out ever and again. Surely the pranks and escapades of "Professor Clarence Skinner" were due to this "let's pretend" urge? It becomes drearily boring to have to be the staid and rather pompous Governor of the Bank, day after day, year after year. Why not dress up and skip away unseen, unrecognized . . . ?

There is indeed something naïvely childlike in his simple faith in the mumbo-jumbo of High Finance, its cipher-jargon, and all its works. A dishonest rogue

would have seen through the whole bag-of-tricks in ten minutes. But Montagu Norman is a man of faith, and a man of vision. His integrity is unimpeachable. His eye is single, his motives utterly honest. He is a High Priest—not a fakir. He believes in his cause, is willing to sacrifice himself in the attainment of it—and you as well.

It is that childlike faith and simplicity that endows him with charm. The man has "charm." He is a master snake-charmer. And the snakes he charms are composed of noughts; long wriggling rows of debt, eating their own tails, and being born again for ever and for ever. . . . A man with charm has no need to explain himself to himself nor to anyone else; no need to fight his way to the top of the ladder, laboriously, using the weapon of logical argument. Personality-charm —and Norman has plenty—is something that, when played upon the psychology of others, can actually affect the manipulation of credit-ciphers, the technique of debt-juggling in the books of the banks, which is the technique of modern banking.

Charm . . . snakes . . . ladders . . . Perhaps it is all a game of snakes-and-ladders? But what a snake-charmer is here! A master-mind, but a master-mind blinkered by traditional usage: an adept haunted (can it be?) by some vague apprehensiveness . . . almost a child's fear of the dark? For every banker and financier in the world today lives, psychologically, on tenterhooks.

The answer to the riddle of Norman's personality can only come to light in the course of a careful examination of his astonishing career. That, and that alone, can reveal the clues to this living cryptogram.

CHAPTER TWO

NORMAN BLOOD

BANKER, financier, diplomat, scholar, statesman, soldier, artist-dilettante, and amateur philosopher, Montagu Collet Norman was born in London, September 6, 1871.

His father, Frederick Henry Norman, J.P., D.L., of Moor Place, Much Hadham, Hertfordshire, was the fourth of a family of six boys. He became a partner in the banking firm of Martin & Co. (now Martin's Bank). Educated at Eton and Cambridge, he practiced as a barrister-at-law up to the time he joined the firm. His wife, Lina Susan Penelope, was the only daughter of Sir Mark Wilks Collet, first baronet, J.P., D.L. (1816—1905), a partner in the firm of Brown, Shipley & Co. Sir Mark himself came from a banking family, and was a Director of the Bank of England from 1866 to the time of his death. From 1885—87 he was Deputy-Governor of the Bank, and Governor from 1887—89.

On both sides, therefore, Montagu Norman has a background of banking. But his banker ancestry goes much further back than that. It goes back to the goldsmiths of the middle ages, who were the forerunners of the modern bankers, and whose somewhat primitive "notes-of-hand" were the I.O.U's. destined to evolve at last into the £1 and 10/- notes, on which are printed

the strange device: *I Promise to Pay the Bearer on Demand the sum of . . . . For the Govr: and Compa: of the Bank of England, (signed) Chief Cashier.* The strangeness of this device, of course, lies in the fact that it is no more than a "promise to pay" (what?)—an I.O.U. like the goldsmiths' original scraps of paper, and just as valuable.

Montagu Norman's grandfather, George Warde Norman, was the first of the Norman family to engage in the business of banking. It is on his mother's and grandmother's side that the present Bank Governor can trace his long line of banking and financial ancestors. Grandfather George was born in 1793, and married the daughter of Henry Stone, a partner in the firm of Stone & Martin, bankers, which later became known as Martin & Co., and is now called Martin's Bank. It is one of the oldest banking houses extant. Its records go back to the middle of the 16th century, at which time it was one of the best known of the Lombard Street goldsmiths' establishments.

It may be said with some truth, therefore, that banking is in the very blood of Montagu Norman, the Norman family being directly connected with three of the most successful banking houses: Martin's Bank, Baring Brothers and Brown, Shipley & Co.

Grandfather George Warde Norman became a director of the Bank of England in 1821, and continued to hold that position until 1872. He was not only the first of the Normans to go into banking, but also the first to be associated with the Bank of England. From this ultra-conservative but wide-minded old gentleman Governor Montagu Norman inherits many of his charac-

teristics. For example his conservative outlook, his tenacity of purpose, his regard for culture and the arts, but not, it seems, his grandfather's open and aboveboard acceptance of criticism. The old man had a keenly critical spirit himself, and was not afraid of it in others. He was quite willing to deal publicly with matters of banking policy. For this reason he appears to have declined the governorship of the Bank of England when his turn came to take up that position. His grandson is not, however, made of the same tough Liberal and Free Trade material. The present Bank Governor resents any public criticism, and has been known to give a gentle "telling off" to a distinguished Bank client for expressing his criticism in print instead of to Norman himself, privately, in the *sanctum sanctorum* of the Governor's room, where none of the walls have ears. But Grandfather G. W. cared nothing about all this secrecy, although he was strict enough as regards bank routine and bank etiquette.

Montagu Norman has set up a rigid taboo, at least for himself, against any public discussion of monetary policy, whereas his grandfather published a number of pamphlets on the subject. One of these was entitled, *Remarks upon Some Prevalent Errors with Respect to Currency and Banking and Suggestions as to the Legislation as to the Renewal of the Bank's Charter,* published 1833. In it he upheld the view that the proper object of note issue was to serve as a convenience for the public by replacing gold coins—a heavy and clumsy medium of exchange—thus supplying the ordinary citizen with notes (paper money) which are much easier to deal with than heaps of metal disks. That was rather an advanced view

to take in those days, almost revolutionary; especially for a Bank of England director to put into print for all to read. Compared with such an attitude, his grandson is a die-hard, a last-ditcher, without the least conception of the possibility of any further advance or improvement in monetary mechanism or technique. Yet in practice—strange paradox—he has been forced to make adjustments that would have horrified the old man. Grandfather George, for instance, was dead against any note issue in excess of the actual gold reserve held by the Bank. Under the governorship of Montagu Norman, however, the fiduciary issue, from 1920 to 1932, had been raised from approximately £20,000,000 to £275,000,000. Today the Old Lady of Threadneedle Street would collapse and tumble in a heap across the roadway if she found the Governor had published a pamphlet on, let us say, *An Examination of Some Prevailing Opinions as to the Pressure of Taxation in This and Other Countries.* Yet that was the actual title of a pamphlet published by his grandfather in 1850.

It seems likely that Grandfather George turned down the job of Governor so that he might be free to express his opinions. The grandson, on the contrary, was not only willing to forego this freedom, but very clearly disapproves of any such "examination" of "prevailing opinions," not only as to the "pressure of taxation," but as to any aspect whatsoever of the policy, mechanism, and technique of the financial system. It is amusing to speculate what would happen if the ghost of grandfather chose to return and insisted upon taking his seat at the Court of Directors! Some gentle but firm disciplinary

action would have to be taken, lest the old fellow—not in the least realizing that the atmosphere of individual freedom and independence he once enjoyed had given place to the hush-hush of world-finance—might "spill the beans."

Although he declined the governorship, Grandfather George became a member, in 1840, of the Treasury Committee of the Bank of England, and served on that committee for several years. When a member of the Court of Directors declines the governorship, it is usual for him to retire from the Board. That is the age-old usage. In an obituary notice in the *Economist* (Sept. 9, 1882), it is stated that: "Mr. Norman's services were, however, so much valued by his fellow-directors that he was requested to continue to be a member of their body." And that was in spite of the fact that he was out and about publishing what his grandson would probably look upon as more or less "subversive attacks" on the policy of his fellow-directors. Today, as everyone knows who knows anything about the proceedings of the Bank Court, the "fellow-directors" assemble, not even to receive their policy ready-made and cut-and-dried, but merely to nod approval of it, *after* it has been put into action. "Professor Skinner" had, in fact, perfected Third Reich methods long before the rise of Corporal Adolf.

Grandfather George's father, Montagu Norman's great-grandfather, was another George, born in 1756. This George Norman was, by trade, a merchant in a fair way of business dealing in Norwegian timber, and, from 1793, he held the position of Sheriff of Kent. Not

much more is known about the great-grandfather, but enough has been said about the Norman family to show that, except for the Sheriff of Kent—and even he was a merchant—our Montagu ("Clarence Skinner") Norman is of the banking aristocracy, and to the manner born.

CHAPTER THREE

"FLOREAT ETONA"

NO DOUBT "the child is father to the man," as Wordsworth proclaimed. Yet how hard it is to see, once more, the child that has grown into a man. The chubby cheeks, the grubby knees, pinafores, knickers, buckets, wooden spades, tin soldiers, Noah's Arks—all vanish away; are, indeed, put away, and their place taken by a giant whose outward appearance, as a rule, bears not the least resemblance to the little fellow who screamed with rage when Nanny insisted it was bedtime, who played Redskins in the apple orchard, and looked for birds' nests down the lane. . . .

There seems to have been nothing out-of-the-way about the small Montagu Norman. But there must have been, since all the imponderable potentials exist from the beginning. The invisible-man-to-be is in the child. The Governor of the Bank of England who was to dress up as "Professor Clarence Skinner" in later years, had all those impulses as a small boy. Hidden they may have been, but they were there. What is to be is there all the time, waiting on Time. . . .

In 1884, at the age of thirteen, Montagu Norman began his education at Eton, like his father before him. During this period he was in the houses of the Rev.

Edmond Warre and the Rev. Stuart Alexander Donaldson. His record here shows nothing particularly outstanding. He passed through his schooldays without attracting much attention, and appears to have been a normal schoolboy, able to take both work and play in his stride. There was certainly no Economics in the curriculum of Eton in those days, and neither he nor anyone else, except a few dry-as-dust professors, gave so much as a thought to the so-called "dismal science." And so, whatever the subject may be in which the "Professor Skinner" of later years specialized, his studies were certainly not prefaced by any early training in the erudite reasonings of Adam Smith's *Wealth of Nations,* or the utilitarian doctrines of Jeremy Bentham and John Stuart Mill.

It was at Eton, however, that Montagu Norman had, according to Dr. Paul Einzig, Foreign Editor of the *Financial News* and of the *Banker,* "every opportunity to acquire or to strengthen those qualities in his character which have made him the despot of Threadneedle Street, and which in international relations have got him the well-earned reputation of being a very good friend and a formidable enemy."

The learned Dr. Einzig from Brasov (Transylvania) may seem to go a little far in calling him "the despot of Threadneedle Street" . . . and yet, as we shall show conclusively in later pages, there is no exaggeration in that dictatorial title.

"Youth and white paper take any impression," says the old tag. Montagu Norman retains the mental imprint and psychological "shape" given to him by the Eton conditioning-machine. He still has the easy-going

(almost slovenly) dignity and air of cultured hooliganism that is the hall-mark of the Eton boy. And, as with every Old Etonian, shows a rather pathetic reaction of flummoxed surprise when he comes across much the same elements of by-your-leave audacity (another name for this particular brand of hooliganism) in someone not entitled to wear the old-school-tie of the college founded by Henry VI, 1440, the most famous public school in the world, the *alma mater* of the greatest number of statesmen and national leaders. Eton is not merely an incubator. It is also a smithy that hammers out a very special type. No one can pass through Eton without becoming Etonic. It gives an attitude towards life, a set of mannerisms, a tone of voice, a range of words and phrases—a complete life-pattern—that can never be re-shaped, put aside, nor entirely smothered over. Montagu Norman is an Eton product. There are certain areas of thought that he cannot deal with. Eton drew a chalk-line round them, and he cannot step over it into those forbidden realms.

Thus it comes about that he exhibits clearly two main dominating knots-of-thought. First, he suffers from an "anti-bolshevik complex" that is almost an obsession, a bogey. . . . Next, he cannot rid himself of a belief in gold. He is a gold-worshiper. The lure of the gleaming yellow metal holds him in thrall. His faith in gold is as unshakable as the faith of an African witch-doctor in his ju-ju. He believes, therefore, in things as they are—the *status quo* (in fact, the *status quo ante bellum*)—fears the least sign of "unrest" from the wage-earning masses and the unemployed "down below"—and cannot help looking to gold, and the magic

of gold, as the Great Arcanum, the All-Heal, the Cure-All for every social-economic ill. Britain had to "come off gold," but, all the same, "Back to gold" is Montagu Norman's watchword, his secret prayer, and final hope.

These two main thought-lines generate a third, and this third is to be summed up in one word—"Inter-dependence." In action, that has led to a policy of financial world-domination: central banks and the idea of a World Central Bank above and controlling the central banks, and all other banking institutions. This is the activating idea that drives Mr. Norman towards his ultimate objective, and supplies him with the technique and ideology of his life's work.

In a post-war world broken into warring fragments by the propaganda-ideologies and fierce direct-action methods of extreme Left and Right parties, "Professor Skinner" seeks to maintain an over-riding financial control. It is as though a spider determined to spin a web over a nest of warring ants. Is the web broken here—he rushes across to mend it! Is it torn asunder there—he dashes back to repair the damage! And, all the time, he is saying to himself, "If only I could spin this web of gold . . . only gold can hold them in." Never, for one moment, does he ask himself whether, in fact, it may not be *the very policy of credit-restriction, still lingering in a Power Age of Plenty, that produces the social-economic antagonisms of both Left and Right.* And anyhow, he is far too busy trying to keep the delicate mechanism of international finance from being swept away in "economic blizzards" of its own making, to question the common sense of those "principles of sound

finance" that, when applied, lead to such Through-the-Looking-Glass results. . . .

Eton days came to an end in 1889, and the following year the young Montagu Norman went to King's College, Cambridge. Whatever Eton may have done to mold him in the image of its Etonian Ideal, the fact is that, like the jelly that slipped, he "did not turn out quite right," for, although he showed little signs of it, either there or at Cambridge, he was destined to develop into an "original." Something of the Puck who, watching the world's stage, says with a wink of mischievous glee—

> *What, a play toward? I'll be an auditor;*
> *An actor too, perhaps, if I see cause—*

—had escaped the conditioning process. Yet it is a Puck embodied in a High Idealist of most serious purpose, using as his medium for expression the world-interplay of High Finance.

CHAPTER FOUR

HIS ONLY HOLIDAY

NORMAN left King's College, Cambridge, after only one year, and therefore without taking a degree. King's is one of the most ancient and most beautiful colleges in that most venerable seat of learning. Founded by Henry VI, in 1441, a year later than Eton, its close-cut lawns slope, like green velvet, down to the River Cam, where weeping willows droop to their drooping reflections. The dignified tranquillity of this setting must have made its impress upon a nature that is both sensitive and artistic. It is King's College Chapel, however, that must surely have made an even deeper impression, for it is one of the architectural wonders of the world. Here the slender columns of the nave rise in a delicate avenue of stone, arch high overhead in transverse branches that spread in curved diagonals, fluted and bossed and tied in exquisite elaboration. A chapel Merlin-built by sheer magic: exact, symmetric, upstreaming to its heavenly vault, like a suddenly petrified fountain! What a symbol of arrested movement—of "stability"—but built properly of stone, not of debt-calculations and numerical abstractions. . . .

It is said that the young undergraduate Norman had some kind of disagreement with his tutor, or with

someone in authority, and that, owing to this, Cambridge saw him no more. He left King's in 1890—the year Bismarck was "dropped," and Heligoland ceded to Germany by Lord Salisbury—and almost immediately plunged into the first stage of his banking career by joining the firm of Brown, Shipley & Co., in which his maternal grandfather, Sir Mark Wilks Collet, had been a partner.

The head office of Brown, Shipley & Co. is tucked away in Founders Court, a quaint, narrow alleyway, opposite the Lothbury side of the Bank of England. You might pass down Founders Court a hundred times a day and never happen to catch sight of this banking house, so unobtrusive are the premises.

The motto of this firm, whose very name has hardly been heard of by the general public, might be the old Jesuit watchword, *Love to be unknown, and to be reputed as nothing.* But, as a matter of fact, in the City of London, and amongst the international banking fraternity, the reputation of Brown, Shipley & Co. stands ace-high, and the name of this firm has been a household word in the banking world for generations. In all its financial operations "look-before-you-leap" is the guiding principle of this sound, steadygoing concern. No alluring prospects of suddenly expanding business have ever had the least effect; no glittering eldorado-schemes have ever cast their spell within these portals. With an A1 international clientele, there is no need for spectacular methods of push-and-go, scramble-and-grab. Dignity, respect, confidence, and strict attention to duty: these are the qualities that have built up the firm's world-wide reputation.

Here, in Founders Court, the young Mr. Norman began his banking career, in the hidden-away offices of a firm that would have been an inspiration to the pen of Charles Dickens. And what more to his taste and genius than to have depicted the young man, just down from Cambridge, arriving in that narrow alleyway, being received by the partners, being shown his room, his desk, and the work he was to do? Nor could Dickens have woven a more intriguing character, nor built in fiction a more meteoric rise to fame and fortune, than that of Montagu Collet Norman.

In this quiet Court, in the heart of the City, so close to the blank prisonlike walls of the Bank of England, where, 25 years later, he was to become Deputy-Governor, his natural dislike of publicity and his instinctively conservative habit of mind must have been reinforced by the firm with which he was now working. No blowing of one's own trumpet would be tolerated here (and, one imagines, no "Clarence Skinner" charades?) . . . There was, however, nothing in these days to indicate that such an eccentric personage as the transatlantic-traveling "Professor" lurked within the personality of the new partner. That freakish outbreak was a later development . . .

His period of apprenticeship was partly spent with another banking firm in New York, Brown Brothers & Co. (now Brown Brothers, Harriman & Co.), who were the New York and Philadelphia associates of Brown, Shipley & Co., London. During his period of training with the New York firm, James Brown, an outstanding personality in the American banking world, was an active partner, and it may be that this dominating

and conservative-minded U.S.A. banker had some effect upon the molding of Norman's outlook. Here in the States he was able to make certain connections which were to prove of the utmost value, years later, when, at the Bank of England, he wished to bring about financial co-operation between Threadneedle Street and Wall Street.

After the New York training he came back to Founders Court, and again took up his position with Brown, Shipley & Co. He then became what is called "a holder of procuration," and was admitted to partnership in 1900. The first phase of his career as a banker was over.

And it was: for the Boer War had broken out the year before, and a period of soldiering intervened. He served with the 4th Battalion (the Herts Militia) of the Bedfordshire Regiment, in which he had been an officer since 1897. With this battalion he served in South Africa from 1901 to 1902, was mentioned in dispatches, awarded the D.S.O., and won the Queen's medal and four clasps.

The Bank Governor-to-be proved himself a good soldier, with plenty of courage and initiative: a much "tougher guy" than most people might have thought. And he is something of a "tough guy" even today. Of the Boer War he has said, "It was my only holiday."

Sir Robert Horne, in 1926, referred to him as "a crusader," and said: "He appears more a philosopher than a man of business. Put a velvet cap on his head and he would resemble a medieval teacher. His eyes are those of a visionary, but a cool visionary. His hands are nervous but strong, and he possesses a gift of courage and

resolution, and brings a spirit of cheerfulness—sometimes gaiety—into his combats."

That, of course, is the puckish spirit that we have remarked upon. But the Stern Autocrat, who knows how to use the iron-hand-in-the-velvet-glove, is also there. And the romantic Rudyard Kipling soldier is there too.

At last the Boer War dragged to its miserable end. The brass bands playing "Soldiers of the Queen" and "Good-by, Dolly Gray" faded and died away . . . The troopships sailed for home. Back from the sun-scorched veldt came Captain Montagu Norman, D.S.O. The home-coming was a stampede—a local "maffick." Arrived at a wayside station, he was met by a cheering throng of villagers. They were determined to give the conquering hero a rousing reception and a triumphal procession. They loosened harness, shot the horses out of the shafts of the waiting carriage, and, placing themselves in the shafts, proceeded to pull in front and push behind in an uproarious progress toward his home. Not far along the road, one of the crowd took a peep in at the window to get a close-up view. He got a shock—the carriage was empty—Mr. Norman had vanished! (The playful spirit of "Professor Skinner" was already beginning to show through . . .)

"Where's the Captain?—Where's Mr. Montagu?" came the shout.

"Where the dickens has he got to?" was the general outcry.

"Hanged if I know! 'E ain't in the carriage!" was the general response. Everyone looked hither and thither, and, very soon, in the course of the search, they found

him—pushing behind the empty carriage along with the rest of them!

There are some bitter critics of Montagu Norman's financial policy who maintain that he has been pushing behind an "empty carriage" ever since. But such naggers show nothing of Norman's quipsy-crotchety whimsicality, and none of his ability. There are others, it seems, who wish very much that the gentleman who got out and pushed as a playful pleasantry those many years ago, would "get out" now and push—or "push off." But they are likely to be disappointed. Bank Governor Montagu Norman does not play booby-tricks when he is sitting in the carriage-and-four of the Old Lady of Threadneedle Street. He doesn't mix practical joking with practical banking; or if he does, he doesn't know it. As Bank Governor he takes himself, and is taken by almost everyone else, very seriously indeed. And, in a sense, he has a right to do so, since the power to do what he chooses is in his hands.

CHAPTER FIVE

AS GOOD AS GOLD

THE South African War over, and his spell of soldiering at an end, Montagu Norman returned to Brown, Shipley & Co., in which firm he remained a partner until 1915. His "only holiday" was concluded. Now to work! And work he did, for he happens to be made of a tenacious personality-material, which insures that, whatsoever he finds to do, he will do with all his might. He believes in Work, and he does not spare himself. He believes in Work—and he believes in Gold. Well, the Boer War had a good deal to do with gold (and diamonds, of course), and so, as he sat down to work once more in Founders Court, he was able to feel that even during his soldiering "holiday" with the Bedfords, he was helping to establish Gold . . . gold, glittering gold, for the vaults of the banks. Yes, in one way he had fought for gold, as the god-hero in the Nibelung legend fought for the Rhinegold. Rand-gold this time.

In 1907, at the age of thirty-five, he was elected a director of the Bank of England. The public at large, the man-in-the-street, had, so far, never heard of Mr. Norman. He was still unknown. But he was working, day by day, and was making his way steadily, quietly,

climbing, step by step, toward the governorship of the Bank. Truth to tell, it was not a very great struggle. There was nothing epic in it. He did not need an ice-hatchet to hack out the steps. They were all ready for him, for he was not only "following in father's footsteps," but, more particularly, in grandfather's. Still, it required tenacity of purpose and hard work to get to the top.

And then came the Great War, 1914, and with it came Norman's opportunity. There was to be no soldiering "holiday" this time.

The Bank Holiday, however, due on August the 3rd, was extended by Proclamation until August the 6th, inclusive. On August the 5th, the Bank of England, and the whole of the British banking system, was—how shall we put it?—insolvent. That sounds better than "bankrupt." On August the 6th the Government—that is, of course, the British people, themselves—had to come to the rescue of the Bank of England, whose gold reserve had fallen to £9,960,640. On the same day the Government authorized the issue of Paper Money by passing the Currency and Bank Note Act. It was just as good as gold!

The banks, whose cash assets were only 1/6d. in the £ of their liabilities to depositors were allowed to borrow the new money up to 20% of such liabilities. The Government advanced £186,906,509 to the Stock Exchange, and declared a Moratorium.

The Bank of England, and the banking system, was, to put it quite bluntly—"bust." They could not pay what they owed. They had not the money. The outbreak of the War at once revealed the hopeless make-

believe of the whole pass-the-buck debt-generating process.

The Government, after supplying the banks with money, had not the sense to put an end, once and for all, to the game of moneylending and credit-manipulation. Instead, the Government actually proceeded to *borrow from the bankers* to the extent of £8,000,000,000 during the period of the War!

Even the public War Loans were largely financed by the banks. In issuing the First War Loan, 1914, the Bank of England undertook "that for three years it would advance to the holder at any time, without margin, the full value expressed in the issue at 1%, under Bank Rate varying." This meant that the Bank of England was really advancing the money with which to take up the loan. The banks subscribed £100,000,000 themselves direct, out of a total subscription of £330,000,000.

As for the Second War Loan, 1915, new money received was only £285,000,000, of which the Bank subscribed directly £200,000,000.

The issue of the Third War Loan, 1917, produced a remarkable situation. "The banks publicly advertised that they were prepared to grant loans not only to existing customers, but to strangers, to enable them to subscribe to the War Loan, provided the applicants were in a position to pay off the advance within a reasonable time." (*British Finance,* 1914—1921, published by the Economic Section of the British Association, edited by Kirkaldy.) The total of this loan was £1,000,000,000. The *Economist* stated that it was "a wonderful example of what book-keeping can do when it has the confidence of a rich

community behind it." And so it is! It also goes to show that all a modern community needs is efficient book-keeping, and there is today a growing body of opinion which holds that the financing of the Great War of 1914—18 revealed the fact that the present financial system is out-of-date, antiquated, and a mere debt-restriction on the proper progress of industrial development in a Power Age.

When it came to the Victory Loan, the banks publicly advertised, as before. They subscribed directly £111,000,000 to this loan.

The War Loans, then, were a creation of credit on the part of the banking system, and that system is governed by the Bank of England, and the Bank of England by Governor Montagu Norman. The actual cost of War Loan credit-creation amounted to nothing more than the pens and ink used, the salaries of the clerks, and general establishment expenses. "Taking the banks collectively as one unit, loans simply involve pen and ink entries," we read in *British Finance,* 1914—1921; and further, from the same authority: "Advances by the Bank of England simply involve entries in its own books and the final result is an increase in the balances of the other banks."

Instead of making use of the opportunity of 1914 to get out of Debt for ever, the British Government rushed to the assistance of the "bankrupt" banks, and once again began the process of borrowing.

This change to paper money—"Treasury Notes," they were called—was a revolution. Before August, 1914, except for checks and crisp Bank of England notes, there was no paper money in general use. The ordinary

citizen had no paper money at all. For the most part he used copper, silver, and gold coins. Men of the better-off sections of the community often carried small fob-pocket purses, specially made for gold coin. They were called "sovereign purses." Today, only 27 years later, they are as obsolete as the powdered wig. But gold coin in those days was an integral part of the currency of the nation. When I sailed for Gallipoli with the Xth (Irish) Division, I carried £5 in gold—five golden sovereigns—in case of emergency. I knew it would be accepted anywhere, if I happened to be stranded. At the end of 1915, on the Balkan border, I was. And those gold coins got me food in out-of-the-way villages where rough shepherds and land-tillers were unwilling to exchange a crust of bread for a "scrap of paper," no matter how prettily printed.

But a post-war generation has now grown up that knows nothing of gold, and has never had a gold coin in its pocket! Many of them have never even seen a gold sovereign. Consequently, they have no particular respect for gold. For this generation the bits of printed paper marked *I Promise to Pay* are perfectly normal—just as good as gold. That is the revolution. In 1914, however, at the outbreak of the First World War, the idea of having to use paper money came as a sudden shock.

Why was it necessary to issue those Treasury Notes to the public? It was necessary because war-scare made people want to make sure that their money was safe. The banks were under legal obligation to deliver gold to customers on demand, and could not fulfill it. The gold was not there, and, to the amount owing, never had been there. The banks, and especially the Bank of England,

had carried on the tradition of the goldsmiths who long ago discovered that—so long as all their customers did not come and demand payment in gold at one and the same time—it was possible to issue many more "notes-of-hand" than, in fact, were covered by the gold in their strongrooms.

A vitally interesting and significant point that comes to light is the fact (not generally known) that this war-time emergency-money was being printed, ready for issue to the public, *a week before war was declared.* We have that on the authority of Lady Waterlow, whose husband's firm, Waterlow & Sons, did part of the printing. She herself told the story in the columns of a Sunday newspaper, November 10, 1929:—

> "I remember that in 1914—incredible as it may seem in 1929—there were no one-pound Treasury Notes. My husband's firm was ordered to rush through the first issue of one-pound notes on the Tuesday before war was declared.
>
> "At eleven o'clock at night, I went down to the works to be by my husband's side when the first notes were passed by Government officials. It was a solemn moment, for it presaged war, and changes that would lead we knew not where. My husband told me that the men would have to work night and day for three weeks at full pressure to get this important Government order through. He dreaded it for the men, for he knew the strain it meant."

The Tuesday before the war was a week before. According to press reports reaching the public at the time, it was not until war had been declared that the Cabinet met to decide what to do about the currency.

Lady Waterlow's account shows that Messrs. Waterlow & Sons got the order on the Tuesday, and that same evening she was able to see the first notes that came from the printing machines. These notes would not require special machines, but, of course, they had to be designed, the designs approved, and plates made of them. After that there would have to be a good deal of careful proofing. The decision to print them must, therefore, have been arrived at several days before the Tuesday.

We now know that this was so, for another lady in another Sunday newspaper gave the facts on August 27, 1933. This was Lady Atterbury, who wrote:—

". . . It may be of interest to your readers to know that on the Saturday before the eventful Bank Holiday of August, 1914, Sir John Bradbury (now Lord Bradbury) and a colleague came to my house at Hampstead Heath at night and asked my husband, Sir Frederick Atterbury, K.C.B. (then Mr. Atterbury), in the Chancellor's name, to get the paper money made."

She has, however, miscalculated the date. This visit must have taken place on Saturday, July 25th, ten days before the declaration of war. She goes on to say:—

"My husband was at that time Controller of H.M. Stationery Office. It was a matter of extreme urgency, and the first note was designed in my drawing room in a few minutes by my husband. To get the paper for the issue he had to get a special order from the Police to get into the Bank of England—officials being away on holiday. As it was not possible to obtain His Majesty's signature in the extreme haste required

by Mr. Lloyd George, Sir John Bradbury signed the note on behalf of the Treasury. The work was strenuous to get the required amount of notes issued in so short a time. The firms who printed the notes, Messrs. Waterlow and Messrs. Harrison, kept their men working day and night. . . . To the best of my belief, notes to the amount of five millions were printed under my husband's directions by the Wednesday."

This would be Wednesday, August 5th, eight days after Lady Waterlow had seen the first notes come from the press. Lady Atterbury concludes:—

"My husband never got over the strain, and though he lived on, it eventually caused his death."

So that, it might be said, the first casualty of the Great War was that of the man who designed and rushed through the printing order for the emergency paper money. These notes became famous as "Bradburys."

Montagu Norman was not yet in control of the nation's monetary policy, and had yet to become Deputy-Governor. At this time Lord Cunliffe was Governor of the Bank. But, as a director of the Bank of England, Norman had seen his Precious Gold do very much what the fairy-gold did in the story of the tailor and the goldsmith who traveled together—turn, not into lumps of coal, but into scraps of paper! He had seen those scraps of paper, so hurriedly initiated, displace the magical Randgold quite easily and smoothly. And he had seen the general public recover from panic and use printed paper just as though it were really "as good as gold." What would become of the Nibelung's hoard if the

ordinary people came to rely upon "printing-press money" instead? . . .

The Bank and the bankers still kept up the gold myth, and the people imagined that their new Treasury-Note-money was "backed by gold." That was a great comfort to most of them. The fact remains that the whole thing was nothing more than "a wonderful example of what bookkeeping can do when it has the confidence of a rich community behind it."

Many people even today cannot understand that "bookkeeping" and "confidence" is all that is necessary to insure the social-economic well-being of "a rich community." They still imagine that money, and especially gold, has some magical "value" in itself.

And "Professor Skinner" is one of them.

CHAPTER SIX

POST-WAR GOVERNOR

TWENTY-FIVE years with the firm in Flounders Court, including eight years as a director of the Bank of England, had, by 1915, shaped and tempered a character at once abnormally secretive and overbearing, and psychologically erratic. "Those who meet him as an opponent at the conference table," says Dr. Paul Einzig, "consider his attitude intolerably aggressive and unreasonably temperamental. . . . His friends can hardly imagine him to be anything but charming, but the frankness with which he shows his dislike is hardly suitable for converting enemies into friends."

Other men, equally or even more charming, and with a far more extensive grasp of banking practice, lacked those other qualities. Aggressiveness, intolerance, outspokenness, and even the taciturn "artistic temperament" blowing up in gusts of sudden impulse, are valuable psychological complexes for the man who means to get his own way in the world, and who has to push his way forward step by step. A sword can have "charm": can be slender, beautifully shaped, can gleam softly in starlight, flash like a dazzling javelin in the sun, have magical runes engraved upon its blade, and be hilted in bejeweled elegance. But if the metal itself is of mate-

rial that cannot stand up to the cut-and-thrust of the hand-to-hand encounter, it is useless. Norman was made of the right stuff. Even his "unreasonably temperamental" nature, which, in other men might have been a weakness, became a strength.

He knew what he wanted, kept resolutely after it, and, to a large extent, got it. It was neither fame nor money, but something far more intangible. It was power-wielding, behind the scenes, not for the sake of power-wielding, but for the purpose of building up and upholding an Ideal. And, here again, he was armed with a weapon that no ordinary banker or financier had in his armory. However competent they may be, and many of them far outstrip Norman in technical knowledge, training, and experience, they lack a bold and positive objective springing from an idealistic urge. Compared with him they are merely nose-to-grindstone nigglers. Efficient they may be, but without vision. Or, if they have vision, the vision is too vague to be taken hold of and put into action. Norman had a vision, built upon an ideal, that could be stated clearly. Except when forced to do so by circumstances over which he could not get control, he has never deviated from it; and even when he has been, so to speak, driven off his course, he has always done his utmost to bring things back to what he considers to be the right course. The man has staying-power. Other men, buffeted hither and thither in the post-war storms, sometimes becalmed and whistling for a wind, frequently drifting upon a lee shore, would have given up the day-to-day struggle and admitted defeat. Norman keeps his grip on the wheel—even when the rudder has come adrift.

I shall show in later chapters exactly what his ultimate objective is, and the methods he has used, and is using, in order to achieve it.

With the streets full of khaki, troops marching, bands playing "It's a long way to Tipperary," overwrought women running round giving white feathers to any young man not in khaki, and the general atmosphere of war-fever, spy-mania, "business as usual," and angels-at-Mons, none of which could reach the cloisterlike seclusion and above-the-battle aloofness that reigns for ever within the precincts of the Bank, Montagu Norman was enabled to take the next decisive step.

In 1915 he became Deputy-Governor under Lord Cunliffe, and held that position until 1920. That was a giant's stride forward.

Before the war it was the rule for each director in turn to become Deputy-Governor for two years, and he was then elected Governor for the next two years. They continued to represent on the Court of the Bank of England the various banking firms in which they were partners, and, after the period of their governorship, they resumed their positions as private bankers. It was a rota routine, and whether a director happened to be suitable for the post or not, he did his two years as Deputy, followed by two years as Governor. On the whole, this your-turn-next system worked out pretty well. Pre-war conditions did not place a very heavy burden upon either the Governor or the Deputy-Governor. It was not even a "full-time job."

But the war changed that 200-year-old routine, as it changed so many others. Figureheads holding the position of Deputy-Governor and Governor, with a staff

of efficient permanent officials carrying on the routine donkey-work, were no use now. The problems of credit and currency, Government loans, gold, price-levels, the rocking to and fro of the international exchanges—all these, and many other problems, all of which affect political policy of the highest order, demanded a Governor and a Deputy devoting their full time to the work.

Thus, turn-and-turn-about gave place to a war-time emergency continuity. It was not desirable to upset the supervision and direction of the two men at the head of the Bank. If the old my-turn-now method had prevailed, it is probable that Montagu Norman would have become Governor in 1917, and would have automatically given up that position in 1919. He would, of course, have remained a director of the Bank of England, but his personal direction (some call it "dictatorship") would have ended. As it was, his Deputyship lasted five years, instead of two, and in 1920 he became Governor, and has been re-elected yearly, not for two years, but for nearly twenty-two! As Governor of the Bank he has become as fixed and permanent as a ruling monarch. More so, in fact, for there is neither a Prime Minister nor an Archbishop who dare so much as suggest his "abdication." On the contrary, it is the Great Khan Norman who can turn upon them, and say—

I'm the king of the castle,
Get down, you dirty rascal!

—and is in a position to enforce that decree. It would make Grandfather George Warde's hair stand on end!

The minds and imaginations of the British people were

too taken up with the attempt to get their lives straight again after the four-year slaughter—like ants in a nest upheaved by some inquisitive schoolboy with a stick, they were too busy trying to adjust themselves and their environment—to take much notice of the fact that a Mr. Montagu Norman had become Governor. In fact, they took no notice at all. The information, if it reached them, made no impression. The Bank of England seemed as remote from their everyday lives as the Mountains of the Moon. They could not have told you (and this is noteworthy) the name of the Bank Governor who preceded him, Sir Brien Cokayne; nor the name of any Bank Governor, from 1694 to that very day.

Within a very few years everyone was to know the name, Montagu Norman, as well as they knew those of Charlie Chaplin, Winston Churchill, or Leon Trotsky. Which shows either, that Norman's no-publicity complex gave place to a desire for the limelight (which seems unlikely), or that events from 1920 onward brought the Bank Governor into prominence against his will. There may be some truth in both these explanations. It is well known to students of psychology, however, that a secrecy-complex, abnormally developed, can, and frequently does defeat its own ends. After a careful examination of Montagu Norman's psychology as revealed in action, I am fairly certain that he has, at times, suffered from this "quick!-I-must-hide" impulse, and that this in itself has brought the flashlights and cameras into play.

One thing is certain, and it helps to light up some of the hidden corridors of this simple and yet complex

character: his decision to undertake the work of Deputy-Governor and then of Governor was not prompted by any urge toward money-gain. The enormous amount of work he had to attend to as Deputy-Governor in 1915 made it impossible for him to carry out his duties as a partner of Brown, Shipley & Co. In consequence, he resigned from the firm in order to give full time to the Bank of England. In doing so he made a considerable financial sacrifice, for the salaries of the Deputy and of the Governor are very small compared with the income of a partner in a successful firm of private bankers.

We find Montagu Norman, at the age of forty-nine, on the highest peak of the banking profession. The long climb was ended. He was now in a position to take the first steps in bringing his vision, his dream, into being. This, the Great Work of his life, is not yet ended, but he has gone forward toward it with insight and determination. Blunders there may have been, but, given this fixed objective, he has shown himself a bold and, sometimes, a brilliant commander-in-chief. A Commander-of-the-Faithful, one might say, for the "unfaithful," the infidels—those who look askance at his policies and all his works—write him off as a man of no vision, little or no real ability, and relying only upon Luck.

CHAPTER SEVEN

"I AM MONTAGU NORMAN. GOOD-DAY"

THE biographer, who, in dealing with a public figure, attempts to separate the subject into two parts—the official personage on the one hand, and the private individual on the other—without showing that these two personalities are, in reality, one whole entity, each built up by the other and inextricably synchro-meshed, is either lacking in analytical power and psychological insight, or deliberately misleading. Either way, the result must be a worthless distortion.

Montagu Collet Norman keeps himself, as so many other men holding official positions try to do, carefully "split" into two distinct persons: the Governor of the Bank, and Mr. Norman, the private citizen, of Thorpe Lodge, Campden Hill, London, W.8. Yet Mr. Norman, the private citizen, is under instructions from Mr. Norman, the Bank Governor, not to divulge a word about the comings and goings of that mysterious person. And the Bank Governor knows nothing whatever about Mr. Norman of Campden Hill, whose house, we are told, "is filled with furniture, crockery, and artistic trifles of his own design."

Not one Mr. Norman, but two Mr. Normans. Yet there are not two Mr. Normans, but only one (incomprehensible?) Mr. Norman. The very fact that the one

has to deny the other, shows how each plays upon and shapes the psychology of the other; and proves that, in fact, each one is the other. And who, we may ask, is "Professor Clarence Skinner"? He does not fit very well into the popular idea of a Bank of England Governor. He is not "in character." And there is no need whatever for a private citizen to be slinking around in the shadows of the docks in the hope of boarding a transatlantic liner without attracting attention. We shall find that all three—Norman the Governor, Norman the resident of Campden Hill, and Norman the "Professor"—are one and the same person. That person is "himself" (as the Irish say). "Would it be himself you were wanting to see?" Well, here he is, and, like everyone else, "himself" is a combination of several fairly distinct "character parts." And, as with other people, his several characters merge, come apart, combine in differing proportions, and become sharper in outline as the years go on.

It is quite impossible to understand the official personage without taking into account the characteristics, the mannerisms, the likes, and dislikes of the private individual. When, therefore, the man-in-the-street is more interested, for example, in some trivial detail concerning, let us say, a man like Kemal Ataturk, he is showing an interest in matters that would be considered of the utmost psychological importance by a Jung, a Freud, or an Adler. These "trivialities" are not trivial at all. They are the outward signs of "the person himself," the detail-work of the whole personality-pattern,

without which there would be no personality—and no person.

A number of small incidents reveal the make-up of Montagu Norman. "Make-up" is the right word, for, either knowingly or unknowingly, the character and personality of every individual is a "make-up," a mask that takes its shape from the impulse-and-will of the inner, unknown, and always unseen person: the "real person," as some would have it.

One day, not very long after Norman became Governor, a gentleman walked up the steps of the Bank, past the red-coated beadle in the cocked hat, who looks like a cross between a town-crier and a Lord Mayor's coachman, and strode up to one of the counters. A clerk came forward to inquire his business, and to know what he could do for him. The gentleman in question had a beard, but that made no particular impression upon the clerk. To be sure, the gentleman wore his black soft hat cocked somewhat rakishly over his right eye; and there may have been a 'bus or tram ticket in the hatband, but the clerk did not notice that. The gentleman was polite and easy-mannered, in spite of the slight swagger in his walk and gestures. He asked a question dealing with bank procedure. It was an ordinary question that might be asked by any client. The clerk answered rather off-handedly and was not particularly clear in his statements. The gentleman asked one or two other questions of the same kind. The clerk's replies showed that he was not very well informed about banking technique and general procedure. The manner of the bearded gentleman changed. His eye lost its lurking twinkle, and became a sword-

thrust. The voice lost its mellow gentleness and sounded more like that of a commander in the field. "Young man," he said, or words to this effect, "you will be well advised to take the trouble to understand the business of the Bank and how it is conducted. I am Montagu Norman. Good-day."

The other members of the staff soon heard what had happened from the clerk, and for months afterward they went about their duties in fear and trembling. Any bearded gentleman who happened to come in sent them dashing hither and thither as though the devil himself were after them! At any moment they felt they might be questioned, found wanting, and sacked. Was it Norman the Governor who had come, Caliph Haroun Alraschid-like, amongst "his people," was it the designer of furniture and artistic knickknacks from Campden Hill, or was it the egregious "Professor"? Of course it was all three in one, for each is but an aspect of the other two.

A double-sided personality, in which the "split" has been brought about by a conscious desire to live two separate lives, one official, the other private, is always liable to conjure up a third who watches the other two. In this case it is the Bank Governor who watches the two others, but "Clarence" is not easy to keep an eye upon. He escapes—he slips away—he breaks loose. You cannot be quite sure what he will do next. He is the eccentric of the trio. And yet, in him, to a great extent, lies the genius of the Banker Mystery-Man. He is the odd-fellow and the odd-man-out. Do away with him, suppress him altogether, and something vital goes out of "the despot of Threadneedle Street," and

with it his power to achieve what he has set out to accomplish.

That "I am Montagu Norman. Good-day" incident stamped the personality of the Governor into the imaginations of the staff. It was dramatic, and it put the fear of God into them. They had him clearly in mind now, as a living character, not just the sound of a name. Ever after, he was a real person, something in the nature of a benevolent ogre (for the clerk did not lose his job), but, nevertheless, an ogre with a watchful eye who might suddenly march in and pounce upon any one of them.

But to the outside world, the world at large, as distinct from the world of banking and finance, Norman was still Nemo. His name did not appear in the press headlines, there was hardly a mention of him in the gossip-columns, he was not yet "news" in Fleet Street, and the cartoonists did not feature the goatlike beard, nor the jaunty angle of the hat-with-the-ticket-in-the-hat-band.

But he was coming along fast. The "Professor," especially, was getting a little out of hand, but he was keeping it dark; he wasn't saying a word to himself as Bank Governor, nor to himself as Mr. Norman of W.8. It might upset them, and they might try to stop him. For quite a long time he must have escaped their notice.

CHAPTER EIGHT

"OUT OF NOTHING"

MOST people who know little or nothing about the business of banking imagine that the activities carried on by the Bank of England, the Big Five, and the other banks, are as exact as the calculations of a master-mathematician, or the measurements of a research chemist in his laboratory. In fact, they are vague and uncertain. The prognostications arrived at are, to a very great extent, hardly more reliable than those to be found in Old Moore's Almanack, and the transactions themselves are operated, not by any application of scientific method, but by rule-of-thumb. This is something that the ordinary citizen, whether of the educated classes or not, finds difficult to believe. He finds it difficult because the whole theory and practice of banking is kept "wrop in mystery" by the bankers themselves. Every now and then, however, one or other of them drops a word that unveils a "mystery." But even when that happens, the ordinary citizen is just as mystified, for he has no clear grasp of the fundamentals of credit-creation, which is the kingpin of the whole banking structure.

Sir Walter Leaf, who was himself an eminent banker, Chairman of the Committee of London Clearing Banks,

President of the Institute of Bankers, and Chairman of the London County, Westminster and Parr's Bank, has told of a conversation he had with Norman:—

> "I was discussing the Bank Return with the Governor of the Bank during the war, and mentioned that there was only one line of it which I thought I understood, and that was the line 'Gold Coin and Bullion.' The Governor, with a twinkle in his eye, replied, 'Mr. Leaf, I do not think you understand even that.'"

That, undoubtedly, was the whimsy vagary of the capricious "Professor Skinner" who, it seems, takes a puckish delight in mystification:

> *Up and down, up and down;*
> *I will lead them up and down. . . .*

If the President of the Institute of Bankers can make neither head nor tail of the Bank Return, and is told by the Governor that he probably does not understand even the one line he thought he did, what of that wretched clerk who was so astounded when a bearded gentleman advised him to "take the trouble to understand the business of the Bank and how it is conducted"? Sir Walter had something else to say about the accounting system of the Bank:—

> "'Public deposits,'" he wrote, "represent, as set out, the balance standing to the credit of various Government Departments . . . they are an element of mystery."

Is it any wonder that bankers are looked upon as "mystery-men" when they themselves admit that they cannot understand their own returns? We find J. M. Keynes writing:—

"One is often warned that a scientific treatment of currency questions is impossible because the banking world is intellectually incapable of understanding its own problems."

Keynes is one of the best known orthodox economists of the day, and not a man to write with a journalistic flourish. His word carries weight. Long before our own day, however, we find Walter Bagehot writing (in *Lombard Street*):—

"When in 1810 they (the Bank of England directors) came to be examined as to their reasons, they gave answers that have become almost classical by their nonsense."

Mystery and Nonsense always go hand in hand. The one cannot get along without the other. What, then, is the Central Mystery of this peculiar business of banking? It is to be found in the idea, generally accepted by the community at large, *that banks can only lend what has been deposited with them.* Where the first deposit came from—considering the fact that it is illegal for any private citizen either to coin currency or to counterfeit notes—the public is never sharpwitted enough to ask. Listen to H. D. Macleod, in the standard work, *Elements of Banking:*—

"When it is said that a great London Joint Stock Bank has perhaps £25,000,000 of 'Deposits' it is almost universally believed that it has 25 millions of actual money to 'lend out,' as it is erroneously called. . . . It is a complete and entire delusion. These 'deposits' are not 'deposits' in cash at all. They are nothing but an enormous superstructure of credit."

But the "enormous superstructure of credit" known

to Macleod was a mere fleabite to the credit superstructure that has been built up, by means of book-entry technique under the direction and supervision of Bank Governor Norman. He is wise in his generation. Unlike some other eminent bankers, Norman has always remained absolutely "mum" when faced with the fundamental question: *"Do banks create 'credit' out of nothing?"* The goldsmiths of old knew very well the answer, but they were wise enough to keep their lips sealed also. Norman follows closely in their tradition. He does just what they did, and "says nowt about it."

The "mystery" is, then, the mysterious technique whereby it is possible for the banking system—at the head of which stands the Bank of England, governed by Montagu Norman—to create book-entry money (called "credit") out of nothing, and then lend it at interest to the community. Wouldn't you like to be able to do that in your business? You would find, would you not, that whatever happened you could not "make a loss"? Not a bad sort of business to be in? We do not have to go to any of the critics of the banking system, nor to "currency cranks," monetary reformers, and suchlike small fry, in order to get a peep behind the scenes of this mystery-play. We have only to look at the *Times Trade Supplement* for June 3, 1922—two years after Norman took up the governorship—to find this statement:—

> "The disclosures which have been made of the ability of English banks to meet losses by means of inner reserves concealed in their published balance is no new revelation."

Why "concealed"? . . . And where do these "inner reserves" come from? Put aside out of profits? Where

do the profits come from? From the perfectly legitimate business of creating credit out of nothing and lending it at interest? These, and many others, are questions we can leave "Professor Skinner" himself to ponder over when he takes his next "concealed" journey to New York, or Basle. Puzzling out the answers should while away the time even more pleasantly than solving cross-words or playing deck-quoits.

It is, of course, the "out of nothing" phrase that staggers the imagination of most people. Especially business men. But business men are not bankers, and usually know extraordinarily little about banking practice. We need not take much notice, therefore, of their upraised eyebrows, nor their heated refutations. Most of these gentlemen are as ignorant of the credit-technique of modern banking as any ice-cream vendor pushing his barrow in the street.

Staggering as it may seem, the fact remains that the phrase "out of nothing" was actually used, in its proper context, by the man who founded the Bank of England in 1694. That man was William Paterson, a Scottish economist and financier, born in 1658, who drew up the plan out of which the so-called "Bank of England" grew. He said, in explaining his scheme at the time:—

"The Bank hath benefit of interest on all moneys which it creates out of nothing."

That canny Scot was no fool, and it evidently was not necessary in those days to "conceal" anything about it. He stated plainly and bluntly what was to happen, what did happen, and what does happen. It is something that makes Governor Montagu Norman's gold-worship look like the ritual-dance rattle of an Alaskan medicine-man.

Paterson did not bother his head about gold. His whole scheme was the formation of a company that should have "benefit of interest" on all money which it created "out of nothing."

It all sounds too like conjuring to be true, doesn't it? . . . like bringing rabbits out of a top hat? But that is exactly what happened, and the story of it is as fabulous as anything recounted in the adventures of Sindbad the Sailor. The "Old Man of the Sea," who nearly strangled Sindbad by clinging to his back, becomes—the "Old Lady of Threadneedle Street." And who is she, but the Governor himself? And doesn't he turn, at any moment, into a most fabulous "Professor"? And no sooner do we grab hold of his cloak than—*hey presto!*—he becomes a most charming and cultured gentleman; yes, indeed, he becomes the "most handsome courtier who ever graced the court of a Queen. . . ." We doff our caps respectfully to him, and lo! and behold, he straightway turns once more into "the despot of Threadneedle Street!"

If to consider the banking system without Montagu Norman is to see *Hamlet* played without the Prince of Denmark, it is equally true that the character of Norman himself cannot be brought into focus and properly understood without a background knowledge of the founding and development of the Bank of England as an institution.

We must turn, now, to Threadneedle Street, in order to get that background.

CHAPTER NINE

LITTLE OLD LADY

WILLIAM PATERSON, the Scot who originated the idea of a "Bank of England," was a handsome-looking fellow. His elaborately curled and powdered wig fell from a high-domed forehead in a cascade of Cavalier ringlets upon his broad shoulders. His large, dreamy eyes looked past the present into some future of his own imagining. The nose was long, rather too long, with a bump in the bridge: a typically Scottish, inquiring type of nose. The lips were full, the cheekbones broad and high. Here, certainly, was the face of "a most handsome courtier"; refined, delicately chiseled. The man would have cut a fine figure on a dueling ground, or, mounted on a prancing mare, he would have been a regular Beau Brummell of a highwayman who might have robbed any fine lady traveling by coach merely by sweeping off his hat and smiling at her. No pistol required.

What he did was to outwit the goldsmiths at their own game. The man had a brain. He was a near-genius. He might even be called an "honest crook," in the sense that he had just the kind of nimble wits essential for successful financial "racketeering." But there was nothing crooked about him. He understood what money

really was (and is), merely a ticket-for-goods that can be "created out of nothing"; which was more than William of Orange knew.

William III came over from Holland to sit on the English throne at the invitation of Parliament. He was not very popular, being a foreigner and new to the country. Moreover, he was trying to carry on a war against the French which meant heavy taxation. No one wanted to pay heavy taxes to keep the king's war going. Nobody was particularly interested in the war. The king was desperately hard up for money. He was at his wits' end. But just where his wits ended, William Paterson's began. Paterson, however, had not appeared on the scene yet, and, after exhausting every other means of "raising the wind," including such heavy taxation that the people refused to stand for it (they had more stamina in them, it seems, than the people of today), the king went to the goldsmiths for a loan.

The goldsmiths, he soon discovered, were not very keen about royal clients. They hummed and hawed, and looked down their noses. Once bitten, twice shy. For the goldsmiths had had a rather jolting experience which began with Charles I. This astute Stuart happened to notice that the merchants of London had nowhere to keep their idle money except in the Mint. He found they had something like £200,000 lying there, and thought it would come in very handy. As it was the Royal Mint he calmly "swiped the lot." The merchants, naturally, protested long and loud. They wailed and moaned. So Charles agreed to call it a loan, just to keep them quiet.

After that, the merchants gave up keeping their money in the Royal Mint. They preferred to leave it in the strong-rooms of the goldsmiths. Trade developed so well that the goldsmiths thought it wise to put £1,300,000 in the Exchequer for safekeeping. It was Charles II who discovered this hoard. He was "hard up," as kings in those days always were, and so the "Merry Monarch" took every penny of it, without so much as a by-your-leave. Once again the merchants raised a clamor. They "kicked up hell." This time they forced the king, not only to call it a loan, but to pay interest on it. They charged 6%, and he had to pay it. The interest was halved later on, and the merchants grumbled and muttered amongst themselves. They swore they would never be "done down" in this way another time.

When William of Orange came cap-in-hand, as one might say, to the goldsmiths, he was in need of £1,200,000, and was willing to pay 8% interest on it. It was no use, the merchants and goldsmiths said "No," and would not lend him a penny. Nothing could induce them to change their minds. That was very awkward, because his war with France could not go on without money—and it must go on because it was a "war of honor" (as wars generally are). William and his advisers tried every dodge they could think of to find the necessary wherewithal. They even tried lotteries. It was hopeless. All their schemes failed miserably. It was heartbreaking to think that William's war might peter out . . . but no one in England seemed to be particularly bothered about that. They were "fed to the teeth" with kings, and wars, and taxes.

This, obviously, was the very moment for William the Scot to come to the assistance of William the Dutchman. He did, without a moment's hesitation. He put up a scheme that made the goldsmiths wonder whether the world had turned upside down, and, later, why they hadn't thought of it themselves.

The scheme that Paterson suggested as a solution to the king's dilemma was, indeed, very simple, as great ideas usually are. He simply proposed that, instead of attempting to borrow from the goldsmiths, Parliament should authorize the formation of a bank, to be called the "Bank of England," empowered to issue the loan, the bank to have "benefit of interest on all moneys" which it created "out of nothing."

The "benefit of interest" on this new money-out-of-nothing scheme was to be 8%, plus £4,000 for the service. Parliament was to give the bank the right to issue these "promise-to-pay" bank-notes up to that amount, guaranteed by Parliament, and then Parliament would borrow it. It was a bold scheme. It cut the goldsmiths right out, and replaced them by creating a new borrowing-mechanism backed by the authorization of Parliament. The goldsmiths had no such authority. Still, if Sally's cow won't give milk, you must go to market and buy one that will.

Paterson, who was born in Dumfries in 1658, was a merchant in London in the epoch-making year of 1694. He had once been a preacher. Then he vanished for a time, and turned up again on the Spanish Main. Again he "faded out" and no one heard of him, and again he reappeared, this time in London, having somehow amassed a very considerable fortune. People were

curious: they wanted to know how he came by it. Paterson told them he had helped to raise a sunken Spanish galleon that had a treasure amounting to £300,000 in her hold. Returned seafarers from the Spanish Main claimed to have come across Paterson on the high seas. They recalled him as a hard-headed hand-over-the-cash-and-clear-out pirate. A gentleman buccaneer, no doubt, with the instincts of a merchant. A "privateer" would be the right term, perhaps. So here we have a touch of *Treasure Island* embedded in the history of the Bank . . . an echo of Captain Flint, the parrot, ringing in our ears: "Pieces of eight! pieces of eight!" The returned pirate, however, knew that "moneys created out of nothing" are just as good as Spanish doubloons, louis-d'ors, guineas, double guineas, moidores, and pieces of eight—on condition that they will exchange for goods and services. To know that is to know everything.

The wits of the day were quick enough to barb their shafts of ridicule with the quip that a Scotsman and a Dutchman made use of Spanish money to carry on a French war, thereby floating the Bank of England! Paterson did not "fash" himself on that account. He understood clearly the extent to which Parliament was entangled with the whims and the war of William III, and how the one could be used to manipulate the other. "Every known expedient had been tried to get funds," he explained afterwards. With another City merchant, named Geoffrey, he talked over the whole situation, and together they went to the king and put up the £1,200,000 "out of nothing" scheme.

Both William and Mary thought it a pretty good

notion, and the Government of the day looked upon it as not much worse than a lottery scheme. This scheme for a "Bank of England," which came before Parliament in 1694, was, in fact, the third scheme Paterson had worked out. In more ways than one, it was a very cunning proposition. The idea of establishing a bank was certain to be hailed with delight by the merchants, even if the goldsmiths had their noses put out of joint. There was enthusiasm for the founding of a bank even before the details of Paterson's scheme were considered. The wealthy City of London merchants wanted a bank. They had wanted one for a long time. The City had become the rendezvous for a steadily increasing number of buyers-and-sellers, and the Stock Exchange had been a flourishing concern since 1561. But, strange as it may seem, there was no bank. Merchants traveling abroad looked with envying eyes upon the foreign banks, such as the famous Bank of Amsterdam, which had been a prosperous concern since 1609. The wealth and importance of Holland as a trading country was often attributed to this institution. There were the banks of Genoa, Venice, Hamburg, Middelburg, and other cities. Yet London had no bank. This bankless state of affairs made the City merchants feel small. It hurt their pride. It was humiliating. Here, at last, was this William Paterson with his idea of founding a Bank in London. It was a splendid idea—a long-felt want.

There was a certain amount of opposition to the Bill when it came before the House of Commons, but very few members troubled to attend the debate, and it went through after surprisingly little discussion. No doubt Members of Parliament were weary of the whole subject

of raising more money. The House of Lords agreed to the Bill with more reluctance, and the Privy Council put its foot down sternly. William was away at the time, and could not attend to the matter. So Mary went to the Privy Council and argued with them. She argued and argued. She was like the widow in the parable. She got what she wanted by keeping on and on, until they were exhausted. The final session lasted six hours! After that the Privy Council were tired out. She had argued the hindleg off the donkey. Wearily they said "Yes," and went home, limp as rags. . . .

The corporation to be known as "The Governor and Company of the Bank of England" was established, and a Dutchman, Sir John Houblon, Lord Mayor of London, and the leading City merchant of the day, became the first Governor.

At that time a Deputy-Governor, Governor, twenty-four directors, and at least thirteen "governors," were necessary to form a "Court of Directors" to manage the affairs of the new company. All the members of this governing body had to be English or naturalized English subjects, and had to own large amounts of Bank stock, although no one could take up more than £20,000 worth.

This private company, called the "Bank of England," had no building of its own to begin with, but was content with rooms in Grocers' Hall. It soon outgrew these premises, and began building its first home in the heart of the City, where it took up residence in 1734. The Bank has never moved from the original site, but there is nothing to be seen now of that first Bank of England building. It was an extraordinary creation

that looked like a cross between a Victorian railway Refreshment Room and the façade of a Fun Fair, on the top of which were perched six large stone urns! Even this curious structure had the same blank, sightless walls and false windows, that have always given the Bank the appearance of a penitentiary. The Bank stood then, as it stands today, in Threadneedle Street, above what was once the center of Roman London. Workmen digging deep below the old foundations have, from time to time, unearthed Roman coins from what was the bed of the River Walbrook.

The street was first known as Three Needle Street in 1598. Before that it seems to have been called Broad Street, as forming part of the present Old Broad Street. The name may have arisen from some connection with the Needlemakers' Company whose arms are "Three needles in fess argent." It was not until late in the 18th century that the Bank was nicknamed "The Old Lady of Threadneedle Street." There is a caricature by Gilray, dated May 22, 1797, entitled *The Old Lady in Threadneedle Street in Danger,* which refers to the temporary stopping of cash payments, February 26, 1797, and to the issue of one-pound bank notes on March 4th of that year.

William Cobbett dubbed the bank directors with the name, because, like Mrs. Partington, they tried with their broom to sweep back the Atlantic waves of national progress. Dickens has the phrase: "A silver curl-paper (i.e. a bank note) that I myself took off the shining locks of the ever-beautiful old lady of Threadneedle Street."

A Dutchman's war, the goldsmiths' "No," the "out-

of-nothing" scheme of a Scottish preacher-pirate-merchant-banker, and the persistent nagging of a Scots-woman—these were the alchemical elements in the magical stream of cause-and-effect that materialized "The Old Lady," and without which Montagu Norman could not have developed the psycho-physical characteristics of the necromantic Katerfelto, the mysterious credit-diviner, that finally made him "the despot of Threadneedle Street," the Father Christian Rosencreutz of the International Money Ring operating in Britain, in Europe, and throughout the world.

CHAPTER TEN

MORE PSYCHOLOGICAL THAN REAL?

MONTAGU NORMAN was already busy at his threadneedle-work—his dream-project of a world-financial design—when he became Bank Governor in 1920. But it was not all a matter of sitting in the Old Lady's bower tatting. At last he was able to get his hands on John Bull's belt-buckle and tighten the strap. This belt-tightening was called "deflation," and the method was that of credit-restriction. Industry began to feel the pinch. The short-lived post-war "boom" began to slide into a "slump" almost immediately after Norman's appointment as Governor.

Then came the Miners' Strike and/or Lockout of 1921, and, significantly, Lord Dewar, saying at a public function: "The bankers have called a halt, and said, thus far and no further; and the manufacturer, who has to keep in touch with the banker, has been obliged to obey." That word "obey" is the operative word. Industry was under the thumb of the bankers, and the thumb-screw was being applied. There was nothing new in this situation, for the Bank Charter Act of 1844 had made the Bank of England all-powerful over the whole economic-financial system by giving that private company the sole right of credit creation ("out of nothing")

and of credit issue and withdrawal. But the general public, including the miners, knew nothing of this, and, even today, fail to grasp the fact that the world is ruled by those who manipulate credit-power.

Although, at the beginning of 1921, there were well over 2,000,000 industrial workers out of employment in Great Britain, and the majority of employed workers were on short time, the private company, calling itself "The Governor and Company of the Bank of England," did not, we may be sure, regard itself as the Bad Fairy in the tragic pantomime of artificial poverty that was being staged. Montagu Norman certainly did not look upon himself as the Demon of the piece. John Gunther's *Inside Europe* reveals his attitude:—

> "Once, amiably chatting with a banker friend, he (Norman) listened imperviously to the argument that the gold standard would impoverish Britain in the long run. 'Tell me,' Norman is reported to have asked, 'do you think it better to be rich than to be poor?' His friend replied: 'Well, I have been poor, and now I am fairly rich, and I hope to be richer.' Norman replied that he was not sure but that countries which were too rich went to pieces; he pointed to the example of Periclean Athens and Imperial Rome. His friend did not reveal the substance of the conversation; the indication that the Governor of the Bank of England might consider it his duty to impoverish his country for the country's benefit would not have been too popular."

This was not merely the despot, but the despot-philosopher of Threadneedle Street expounding something of his "Poverty is good for you" philosophy.

There never was a despot without a philosophy, and every despotism upholds the same moral-philosophic justification—"Riches are bad for you." There is a fundamental agreement upon the righteousness of this Ethic of Poverty, and, therefore, of the Gospel of Work for the sake of Work. And the reason is not far to seek: the most effective form of control over others is control of the supply of goods and services (real wealth). In a modern industrialized community this control is in the hands of those who issue and withdraw credit-facilities: that is, the banking system. Controlling the whole banking system of Britain stands the Bank of England, and Norman is the man who, by controlling the Bank, controls the financial policy of the nation. It matters very much, therefore, what attitude such a man, wielding such almighty power, has towards life.

A man who is "a crusader," who looks like "a medieval teacher," whose eye is the eye of "a visionary," whose mind has accepted a particular philosophy of life, *and who has the power to put that philosophy into action and to enforce it upon others*—("the manufacturer . . . has been obliged to obey")—is certain to be seen as a heaven-sent saviour by some, and a destroying angel-of-hell by others. The only way in which it is at all possible to arrive at a sound judgment of such a personality is to examine the results of his actions. But even these results will not be properly understood unless we can first come to understand the "slant" of his mind and feelings as revealed in their reactions when confronted with fundamental ideas affecting the whole life of mankind, as apart, for instance, from the detailed technique of banking and finance.

An indication of this "slant" came to light when, in 1930, Norman was called to give evidence before the Macmillan Committee. The Governor was asked a question regarding the effect of the Bank Rate, and whether it might not "be accompanied internally with unhappy consequences."

——: "Externally you say it achieves its purpose of arresting the flow of gold if you raise the Bank Rate. Internally, how do you conceive that it operates?"

Mr. Norman: "Well, I should think that its internal effect was, as a rule, greatly exaggerated—that its actual ill effects were greatly exaggerated and that they are much more psychological than real."

——: "Yes?"

Mr. Norman: "Much more psychological than actual."

——: "The same would apply to the benefit accruing from a reduction in the Bank Rate?"

Mr. Norman: "Yes . . . I have always thought that in the process of change from one rate to another, the difference is much more largely psychological than it is actual."

That is a searchlight, not upon the effect of the Bank Rate, but upon the attitude of mind, the outlook, and, therefore, the set-up and "shape" of Norman himself: of the way he looks at things, his mental angle, his impulse-trend, his approach to the problems of life in general. For here it is made plain, not once, but three times, that, for him, "psychological" effects are not "real," not "actual!" And such a view, such a belief, is in absolute accord with the "Poverty is good for you" philosophy. The effect of alterations in the Bank Rate,

we are told, are more unreal (more "psychological") than real. Why trouble to carry out operations that have no very real, or actual, effect? The reason, of course, is that every banking operation is, from first to last, "more psychological than real," since banking deals, not with the actualities of real wealth (goods and services), but with credit-ciphers—figures in the books of the banks—which can never be anything more "real" than a purely arbitrary calculation made by means of a purely arbitrary "standard of values." A "standard of values" that fluctuates, not with the fluctuations of the actual production of goods and services, but in accordance with the buying and selling of money. That is like having a yardstick made of elastic!

The replies given before the Macmillan Committee, just quoted, show us a personality set-up that cannot help looking upon a lump of gold, or the figures "£50,000,000," inscribed in the books of the Bank, as "real" and "actual." Whereas, the (actual?) effect of "a flight of gold" from the vaults of the Bank, and/or the writing down of the book-entry figure to, say, "£10,000,000"—an effect which may very easily take the form of (actual?) lack of (real?) food, warmth, and shelter for thousands of (real—actual?) human beings—must, within the thinking-process of this type of mind, appear to be "more psychological than real."

In the same way, a Clarence Hatry might reply to the question "How do you conceive of the results of your financial operations?"—"They were much more psychological than real." Which, of course, is absurd. Or is it?

However, even supposing that the internal effects of

Bank Rate alterations are more unreal than real, as Norman declared, is it to be supposed that an external effect, the slowing-up, for example, of the "flow of gold," is any less "psychological," any more real, more actual? Obviously not.

In 1707 there were fears of an invasion by the Pretender. Were they "real," or were they merely "psychological"? Those fears led to a "run" on the Bank, planned and encouraged by the goldsmiths and the High Tories, in the hope of "breaking" that upstart institution. To save the Bank, the leading Whigs organized a "stunt." They sent a number of coaches loaded with gold to calm the fears of the crowds clamoring for gold in place of the "worthless" paper banknotes. Another "run" on the Bank took place in 1754, when an invasion by the Young Pretender was feared. Once again the "crisis" was organized by the goldsmiths. The queue of people waiting to get their money out stretched for over a mile down Ludgate Hill into Fleet Street. The Bank resorted to sheer trickery this time. The clerks were instructed to pay out, but to pay out very, very slowly, in copper and silver, counting every coin. To reassure the waiting crowds, the Bank sent out a string of wagons piled up with boxes that looked as though they contained bullion. The wagons were led, so that all might see, past the waiting queue, into the front entrance of the Bank—and then, through a back alley, out into the street again, once more past the crowds and into the Bank. Thus, the "stage army" went round and round, giving the impression of a vast number of wagons. Satisfied that the Bank had enormous quantities of gold, the crowds broke up and went home.

It was all "much more psychological than real." In fact, the bullion was entirely "psychological."

Yet, Governor Montagu Norman firmly believed, 176 years afterwards, and in spite of the fact that he was living in an age of air-travel, radio, and power-production, that it was not only necessary to manipulate the Bank Rate in order to regulate the "flow of gold," but that it was essential to have gold! He still believes it. The Bank knew differently in 1754. And so did Preacher-Pirate Paterson in 1694. Or is Norman's belief in gold "much more psychological than real," in the sense that he knows that the mass of ordinary citizens, having discovered that they can get along very well indeed without gold in their purses, may one day awaken to the fact that gold in the vaults of the Bank, and the "flow of gold" from one country to another, is equally "psychological"?

Whatever the answer may be, Norman labored strenuously from the day he took up the governorship to bring Britain "back to gold."

CHAPTER ELEVEN

WASHINGTON POST-HASTE

A NETWORK of central banks, and world co-operation between them . . . this was Norman's vision, his dream of a financial hegemony that should bring about "world stabilization." A bankers' league-of-nations, built up quietly, without any fanfare of trumpets; all the limelight being centered upon Geneva, while the real—perhaps "more psychological than real"?—world-control mechanism was established behind locked doors, holding its conferences in secret, "far from the madding crowd": no pressmen, no cameras, no criticism, no political backwash.

That was Norman's inspiration, the "gleam beyond" that lured him on, his settled plan of action. Has he reached his objective? Very nearly, as we shall see. Meantime, there were a thousand and one intricate problems to be faced and, if possible, overcome. The difficult question of the funding of the British war-debt to the United States was one. This debt amounted to, approximately, £920,000,000, the interest being £1,300,193,000. A question that never for one split second arose in Norman's mind can hardly be escaped at this time of day: *was this astronomical debt-calculation "real" —or was it "more psychological than actual"?* Real or

not, it really must be paid, Englishmen were told at the time. It was "dishonorable" not to pay their debts. And so this millstone made of naughts (and crosses) became a Debt-of-Honor.

"How does Britain stand five years after the Armistice?" asked Sir Godfrey P. Collins, C.M.G., M.P., in 1923. "We are the only nation in the world which is paying its way and repaying its debts."

The Debt Question had become a question of "national honor." Mr. Stanley Baldwin, the then Chancellor of the Exchequer, was the Varay Parfit Gentil Knight who determined to enter the lists to fight for the "honor" of—Britannia?—or the Old Lady of Threadneedle Street? There were some then, and more now, who would have reminded Baldwin, and the British people as a whole, of Sir John Falstaff, in Shakespeare's *Henry IV,* on the question of "honor":—

"Honor pricks me on. Yea, but how if honor prick me off when I come on? How then? Can honor set a leg? No. Or an arm? No. Or take away the grief of a wound? No. Honor hath no skill in surgery then? No. What is honor? A word. What is that word, honor? Air. A trim reckoning!—Who hath it? He that died o' Wednesday. Doth he feel it? No. Doth he hear it? No. Is it insensible then? Yea, to the dead. But will it not live with the living? No. Why? Detraction will not suffer it. Therefore, I'll none of it. Honor is a mere scutcheon. And so ends my catechism."

The total war-debt owed by Great Britain at the end of the four years' slaughter was calculated at, approximately, £7,583,000,000—"a trim reckoning," indeed! The

total monetary gold reserves of the world in note-issuing banks and treasuries amount to no more than, approximately, £2,466,000,000. The absurdity of the whole debt situation did not, however, strike Chancellor Baldwin's mind. Nor, to be fair, did it strike those of his colleagues.

Britain's debt to the United States could not be paid in gold. America would not accept gold. She already had most of the world's monetary gold in the vaults of the Federal Reserve; and, in any case, the Bank of England had nowhere near the amount of gold necessary. The U.S.A. would not accept gold, would not accept goods, and would not accept paper money. Here was a pretty kettle-of-fish! A knotty problem to solve. An "enormous superstructure" of debt—Britain's "honor" at stake—and Uncle Sam demanding payment, but unwilling to accept either gold, goods, or paper. A terrible predicament. The Governor of Colney Hatch ought to have been called in to advise a lunatic world . . .

In 1922 Congress passed a law setting up a Commission of five persons to carry out the funding of the various debts owed by the Allied Powers, and stipulating that interest was not to be less than 4¼%, and that the period of maturity should not be more than 25 years. If that law had been carried into effect, Britain would certainly have "died o' Wednesday." All would have been lost, save "honor."

This debt-payment demand was so excruciatingly "honorable" that it would, if complied with, have crippled the whole social-economic system of Britain. Something had to be done. And so it came about that

Chancellor Baldwin was sent to Washington towards the end of 1922. Or was he sent for? And whom should he take with him but Governor Norman? After all, Baldwin knew less than nothing about international financial matters. Norman would be invaluable. He was just the man for the job. He knew all the ins-and-outs of world-banking, as well as national-banking (including, we may suppose, the item "Gold Coin and Bullion," in the Bank Returns that so mystified Sir Walter Leaf). More than that, he knew America, and the American bankers. We can picture these two: Baldwin, square-faced, stolid and solid, the "country gentleman" from Bewdley, and his friend Norman, bearded, his visionary's eyes a-twinkle, artistic-looking, a copy of Augustus John, setting out for Washington, D.C. Why, together they were a modern Don Quixote and a modern Sancho Panza! The knight and his squire. And as Don Quixote de la Mancha had a beard very like the Bank Governor's, we may suppose that it was Senor Cavalier Norman, D.S.O., who, as Cervantes tells us, "thought it expedient and necessary, as well for the advancement of his own reputation, as for the public good, that he should commence knight-errant, and wander through the world, redressing all kind of grievances . . . and thus wrapped up in these agreeable delusions, and hurried on by the strange pleasure he took in them, he hastened to put in execution what he so much desired." And what he so much desired was that world-network of central banks.

The Chancellor and the Governor had much in common. Norman's chief hobbies are gardening, walking,

and reading. Baldwin, filling his pipe with King's Head (it would surely be King's Head?), would be able to discourse upon pigs and pig-breeding, as well as the *Iliad* and the *Odyssey*. True, one was Harrow and the other Eton, but both were Cambridge men. In turn, Norman would be able to talk, not only about pigs, but about cows, for he and his brother, Ronald Collet Norman, have a fine farm and herds of cows at Much Hadham, Hertfordshire. And the Bank Governor would be able to keep pace with Chancellor Baldwin's classical quotations and allusions with references to Periclean Athens and Imperial Rome. Norman does not read the newspapers. They do not interest him. His reading is mainly Kipling, whose very words he seems to remember by heart. In fact, he knows his Kipling as the old folks used to know their Bible, from A to Z. And here was a Chancellor of the Exchequer who was a cousin of the great Rudyard himself. Two Kipling-fans together. Debts? . . . what are debts? Mere rows of 000,000's! Let us talk of *Soldiers Three,* and other stories. Moreover, they were much of an age: Baldwin being 55, and Norman 51. And both were of the Kipling generation, the generation of empire-builders, thin-red-liners, and far-flung imperialisms.

But, whereas Kipling's idea of Empire was that of a *Pax Britannica* enforced gently but very firmly by British arms, that of Bank Governor Norman has been forced by the structure of the financial mechanism itself to assume the shape of an International Octopus whose ever-increasing debt-tentacles extend out and out; in which Britain and the Empire are no more than integral

parts of a World State ruled by the Money Power—with G.H.Q. at Basle.

That is the dream that haunts his imagination, and in that dream there crawl a thousand and one anxieties . . . It is a witch's cauldron, in which the shapes of things to come bubble and squeak in a world that is beginning, at long last, to wonder whether it is not possible to throw off the stranglehold of financial debt, and to live debt-free! That, of course, would be the end of the hidden dictatorship of Finance, and also the end of "Professor Clarence Skinner" and those who are helping him to build the Banker-ruled United States of the World on a debt-basis.

In this sense Norman's whole career might be summed up as "One Man against the World"—since the biological urge of mankind, whatever the psychological conditioning may be, is the same will-to-live as that which compels all living things to struggle for existence. It is science applied to industry—the emergence of a Power Age—that has plunged all Governor Norman's financial notions into the melting-pot. Once mankind has grasped the essentially costless mechanism of credit-creation operated by the banking system, there is certain to be revolt after revolt against the tragic absurdity of "poverty amidst plenty." And it can hardly be doubted that it is the background-fear of those revolts, and the inevitability of the final victory for those who look towards a debt-free world, that turns Norman's dream into a nightmare shot through and through with fear and the fear of fear . . .

However, Baldwin and Norman traveled hopefully to Washington, where they conferred with members of

the U.S.A. Debt Commission. The *Wall Street Journal* (March 11th, 1927) says:—

> "From the time he entered office, Mr. Norman set out to re-establish approved proportions between gold and credit at the Bank of England. He was with Mr. Baldwin in America when he reached the settlement of Britain's debts. It was evident then that Mr. Norman regarded American support in returning to gold and maintaining the standard as more important than the sacrifices in debt settlement."

What was it he said to his banker friend?—"He was not sure," writes Gunther, "but that countries that were too rich went to pieces . . ." Pay your debts like an honorable gentleman, even though you bleed to death on the field of honor. Poverty is good for you.

The result of the negotiations between Baldwin, Norman, and the U.S.A. Debt Commission was a recommendation to Congress advising a revision of the time limit for debt-payment from 25 to 62 years, and an interest rate of 3% until 1932, and 3½% after that date, with the addition of ½% for amortization. The Bill making these modifications passed the House of Representatives and the Senate, and was signed by President Harding on February 28th, 1923. Some leading American politicians began an outcry against what they considered a surrender to superior British astuteness, but, on the whole, the settlement made a favorable impression as showing that the British Government was "determined not to evade its obligations." The real result of this Washington Debt Settlement did not become apparent until 1931, when the attempt to "pay up" became a strong contributing factor in generating

the "economic blizzard," and ended in the Hoover Debt Moratorium.

The visit of Don Norman and Sancho Baldwin to Washington was, in reality, a sleeveless errand. At the time, however, it was a "famous victory."

CHAPTER TWELVE

EUROPEAN NETWORK

I HAVE said that Norman was busy on his central banking scheme before he became Bank Governor. How busy he was after taking up that position has been revealed to some extent by Bruce Lockhart, the British diplomatic agent. In his autobiographical *Retreat from Glory* he draws some of the threads from Norman's central European threadneedle-work. Writing of events in 1922, when he was in Prague, Lockhart says:—

"One morning, as I sat in my office . . . the Chancery servant brought me in a card. It bore the name of Michael Spencer-Smith. My visitor brought with him a strange story. It began with an Austrian overdraft and a dream of Mr. Montagu Norman, the Governor of the Bank of England.

"Before the war there had been a large bank called the Anglo-Oesterreichische Bank of Vienna . . . with branches all over the old Austro-Hungarian monarchy. On pre-moratorium bills met by the Bank of England after the outbreak of war, the Austrian concern was now heavily indebted to the Bank of England and owing to the hopeless economic situation in Austria was not in a position to meet its obligations.

"Partly with a view to liquidating this debt and

still more to helping Austria, Mr. Norman had conceived a great scheme of converting the bank into an English bank and of using it as an instrument for the reconstruction of Central Europe. Michael Spencer-Smith had been sent out as the Governor's man of confidence to put this scheme into effect."

The dream-scheme was being built up in actuality, even in 1922. This Mr. Spencer-Smith was one of a band of "brilliant young men" who surround the mysterious crusader-visionary of Threadneedle Street. Educated at Eton and Oxford, he entered the Shell Company, became a partner in Lefevre & Co., was appointed a director of the Bank of England "before he was forty"—which was really nothing so very out-of-the-way, since Norman was only thirty-five when he became a director—and "was regarded as the most promising of all the younger financial lights in the City of London. Fair-haired, good-looking and remarkably tall, he was a man of great charm and the highest ideals. A typical Englishman, he knew no foreign languages and had had no experience of dealing with Continental Europeans."

This was the man Norman sent out to deal with what Lockhart calls "a typically Central European tangle," and a "comic situation."

"Spencer-Smith's admiration for Mr. Montagu Norman amounted to hero-worship—a tribute to the Governor's magnetism and a characteristic which I have since remarked in everyone who has served under that remarkable man. And the dream of the Governor and of Spencer-Smith was not without its attractive allure."

And then we are given the details of this "dream," as it was to be brought into actuality:—

"As a sop to the nationalist susceptibilities of the new Succession States they (Norman and his associates) were prepared to split up the former branches of the Anglo-Oesterreichische Bank into local banks: an Anglo-Czech bank in Czechoslovakia, an Anglo-Austrian bank in Vienna, an Anglo-Yugoslav bank in Yugoslavia, an Anglo-Hungarian bank in Hungary, and an Anglo-Roumanian bank in Roumania. All these banks would work together for the common good of Central Europe under the control of a central institution, of which the Bank of England would be the chief shareholder. It was to be a kind of miniature financial League of Nations with Mr. Norman in the rôle of President Wilson. True," adds Mr. Lockhart, "the lofty idealism of this dream was not untinged with materialist interests. If the scheme were successful, it would give to England a financial footing in Central Europe which it had never previously possessed. It was the Governor's counter-stroke to the German Mittel-Europa thrust."

All that was some years before the rise of Hitler, before the Rosenberg Plan, and the more realistic Nazi central and south-eastern European "thrust." *Mein Kampf* was not yet written.

"Day after day," says Lockhart, "I went to Dr. Benes's room in the Hradcany or to see Dr. Hotowetz in the Ministry of Commerce . . . I drew a touching picture in which I portrayed the Old Lady of Threadneedle Street mothering the youngest and healthiest of Europe's children . . ." Time after time the conferences broke down between the Czechs and the Austrians. Finally, after lengthy and difficult negotiations, the Anglo-Oesterreichische Bank became an English con-

cern with the title of the Anglo-Austrian Bank. The Czech branches were "converted into an independent Anglo-Czechoslovak Bank with headquarters in Prague." Six months later, the Czechoslovak Government was able to float a State loan of £10,000,000 in London and New York and to "establish its credit on the two great financial markets of the world."

Thanks to Lockhart, the Commercial Secretary at the British Legation in Prague, Montagu Norman's European bank network began to take shape. Before he left Prague, Spencer-Smith put a tentative proposal to the man who had done so much to help the scheme. They dined together off caviare, baked carp, and partridge with red cabbage—and talked. "It was the cautious kind of talk one expects from the best English bankers. Did I intend to remain a civil servant all my life? In the event of there being a job for me in the new organization would I be prepared to consider an offer?" . . . Lockhart was prepared. Norman's man-of-confidence promised to write after he had discussed matters with his "colleagues in London"; in other words, with the Bank Governor.

He did, and a letter arrived in due course. It was a long letter stressing the difficulties of the new bank, and intimating clearly that in the event of Lockhart proving a failure as a banker, the bank (and therefore the Bank of England) would take no responsibility for his future. "It underlined the high moral tone," says Lockhart, "which was expected from everyone engaged in banking, and it hinted in euphemistic language that, while champagne might smooth the wheels of diplomacy,

banking ran more efficiently and more unobtrusively on water."

That is an interesting sidelight upon the whole moral outlook of the banking profession. It is understandable enough. And yet . . . and yet . . . the Carpenter of Nazareth turned water into wine, not wine into water . . .

In speaking of a particular banker in Vienna, Lockhart says:—

"The bank was child and mistress to him, and he served it with a devotion which was whole-hearted. If disinterestedness, self-sacrifice, and hard work could have wrought the miracle that they should work in this world, our bank would have gone from success to success and Mr. Montagu Norman's dream would have been realized."

But the dream of European stabilization brought about by the split-up of the Anglo-Oesterreichische Bank into various Anglo-nationalist local banks was beyond the miracle-working powers of Governor Norman and his carefully selected and trained "confidence-men" (I was about to write, but "men-of-confidence" sounds better, and is, perhaps, more accurate). One of these was R. H. Porters, a canny Scot. "Today," wrote Lockhart, in 1934, "he basks in the favor of Mr. Montagu Norman and is employed by that great man as one of his European watchdogs." Another, and more important, was M. Peter Bark, G.C.V.O., the former Tsarist Minister of Finance and "the right hand man of Mr. Montagu Norman for Central European affairs." This Russian of "charming manners" and "ripe intelli-

gence," whose "diplomatic tact would have mdae him an admirable ambassador," was a protégé of the great Count Witte. More than any other individual he was responsible for the successful flotation of the Austrian and Hungarian Reconstruction Loan.

In spite of all the efforts of "Mr. Norman's private diplomatic corps," this particular European-bank-network scheme did not function in accordance with the dream-schedule. In fact, the network was more like a tangled skein, and, as the years went by, it became more and more tangled. Where the network broke, it was tied up with "granny knots" that gave the moment there was any strain, and there was strain at almost every moment. Nevertheless, however ramshackle this European web-of-finance was in its actual operations and co-operations, it was by means of it that High Finance, and Montagu Norman in particular, kept a hold upon the kaleidoscopic state and States of Europe. They were held like flies buzzing and kicking in the same old web of debt, and could not get free. Not that any of the statesmen—including Benes and Masaryk—had even a glimmer of a notion that their attempts to make Central Europe politically modern and democratic were being frustrated by a debt-system that dated back to the goldsmiths of the sixteenth century. They did their level best to co-operate. "Will you walk into my parlor?" said the banking-spider to the new European States. They did. They could not see any way of financing themselves "out of nothing"—and Pirate Paterson had been dead these 200 years. And, anyway, he would have "done a Bank of England" on them, just as Norman attempted to do between 1920 and 1931.

CHAPTER THIRTEEN

McKENNA "BLOWS THE GAFF"

1923 was the Tutankhamen Year. The tomb unearthed in the Valley of the Kings revealed itself a blaze of gold! The triple mummy-cases were enclosed in a sarcophagus formed of a series of enormous shrines made of elaborate gold-work, each built closely one inside the other, like a nest of Chinese boxes, in what was known as the "chamber of gold." The third and innermost coffin, containing the actual mummy, was of beaten gold—a gleaming encasement showing an all-gold king holding Crook and Flail, the royal symbols of power, in golden hands. Gold, beaten gold, gold-leaf . . . gold enwrapping the embalmed dead. Gold . . . and Death. Everlasting unchangefulness. Preservation . . . stability . . . stabilization. Bitumen, balm, aromatic oils and spices to keep the dead from decay—and gold, the magical metal. Undecaying death laid in shell upon shell of undecaying gold . . . hidden, sealed up, deep in a rock-hewn vault.

Norman needed no Tutankhamen tomb to remind him of his determination to bring Britain "back to gold" at the earliest opportunity. His friend Baldwin, at a House of Commons luncheon, said that he hoped to return to Worcestershire "to read the books I want to

read, to lead a decent life, and to keep pigs." Within a week of uttering those words Baldwin was called to the high and responsible office of Prime Minister. And this same year Norman became a Privy Councillor. Neither Lord Cunliffe, who was Bank Governor from 1915—18, nor Sir Brien Cokayne, who was Governor from 1918—20, was a member of the Privy Council, that anomalous hang-over from "Star Chamber" that, in an emergency, can govern the country by Orders-in-Council.

On August 7, 1924, something happened that most people overlooked, and, in any case, would not have considered particularly important. *The Times* newspaper printed an announcement giving "Details of the Plan to Ensure its Continued Political Independence in the National Interests." In accordance with this plan, which had long been under consideration, a Committee was established for the special purpose of safeguarding future transfers of the controlling shares in *The Times.* These shares, it was explained, were those of "The Times" Holding Company, Ltd., and were all held by Major the Hon. John Astor, M.P., and Mr. John Walter, who together constituted the Chief Proprietors of *The Times.* The Committee "has no other responsibilities" so far as this newspaper is concerned, and "is not in any sense identified either with the management or with the editorial policy." The sole object underlying the appointment of this Committee was "to ensure, as far as is humanly possible, that the ownership of *The Times* shall never be regarded as a mere matter of commerce to be transferred without regard to any other circumstance to the highest bidder, or fall, so far as can be foreseen, into unworthy hands."

"With this object in view," the announcement went on, "it has been thought desirable that the members of the Committee should act *ex officio,* that they should be precluded by their position from active party politics, and that they should represent various elements—e.g. judicial, academic, scientific, and financial—in the national life. The following, therefore, have been invited, and have consented to serve:—

The Lord Chief Justice of England,
The Warden of All Souls College, Oxford,
The President of the Royal Society,
The President of the Institute of Chartered Accountants,
The Governor of the Bank of England."

The Committee, as a body, can only approve or disapprove a transfer of control. It cannot interfere with policy under the existing control. But Norman, as Bank Governor, is in a position to influence the policy of *The Times* regarding the publication of instructional matter on the subject of finance and economics. He is in a position to do this because he is recognized as *The* Financial Authority, and it would be a strange thing if the Editor of *The Times* did not seek the guidance and advice of the man at the head of the banking system in Great Britain when dealing with such matters.

The Committee, we may note, was not formally constituted of named individuals, but of office-holders. Thus, it was "The Governor of the Bank of England," not Mr. Montagu Norman who was invited to serve upon it in 1924. But Norman happened to be Governor at the time, and so held a seat on this Committee. And he has "happened" to be Governor ever since, and so

has retained that seat. It has been invaluable to him. Never once has *The Times* even remotely criticized the Bank Governor's policy. Always it has expounded and upheld that policy as its own, and as though it were "in the National Interests." And Norman is a past master in the delicate art of "indirect control." It is part of the keep-behind-the-scenes technique of "the despot of Threadneedle Street."

The London Conference on Reparations, 1921, laid down that the Central Powers defeated in the World War must pay 132 milliard marks within 37 years. It was an impossible tribute to extort, and, in 1924, the Dawes Plan rearranged the amount of yearly payments and the method of levying—but with no decision as to the total amount payable! It was Montagu Norman who, after a visit to the United States, planned a revision of the Dawes Plan.

When Lloyd George's Coalition Government was considering large-scale development schemes to "absorb" as many unemployed as possible in 1921, a Cabinet Minister was reported to have said that "half a dozen men who control the Big Five Banks can make or ruin the country." This brought forth the following extraordinary outburst in the *Financial Times* for September 26 that year:—

> "Whoever may be the indiscreet Minister who revives the money trust bogey at a moment when the Government has most need to be polite to the banks, he should be put through an elementary course of instruction in facts as well as in manners. Does he, do his colleagues, realize that half a dozen men at the top of the Big Five Banks could upset the whole fabric of

Government finance by refraining from renewing Treasury Bills?"

There are a good many people today—men who have seen through the financial hocus-pocus—who agree with the *Financial Times* that Members of Parliament, and, indeed, the whole nation, should be "put through" this "elementary course of instruction." But Governor Norman is not one of them. He much prefers that Finance should remain wrapped, like Tutankhamen's mummy, in layer upon layer of gold and gold-mythology.

Outspoken as the *Financial Times* was, its sharp "rap over the knuckles" for the Indiscreet Minister was a mere nothing to the revelation that was coming. During his address to shareholders, January, 1924, the Right Hon. Reginald McKenna, Chairman of the Midland Bank, said:—

"I am afraid the ordinary citizen will not like to be told that the banks can, and do, create money. The amount of money in existence varies only with the action of the banks in increasing and decreasing deposits and bank purchases. Every loan, overdraft, or bank purchase creates a deposit, and every repayment of a loan, overdraft, or bank sale destroys a deposit. And they who control the credit of a nation, direct the policy of Governments, and hold in the hollow of their hands the destiny of the people."

That, coming from an orthodox banker and a one-time Chancellor of the Exchequer, ought to have been enough to make the "ordinary citizen's" hair stand on end! But the ordinary citizen, even when he is "good at figures" is not, as a rule, very bright when it comes to

questions of finance. The very word "finance" has a spell-binding effect upon him. . . . He feels at once that all such matters are beyond him. . . . And well he may, considering the fact that the bankers themselves cannot understand the Bank Returns, find the effects of the Bank Rate "more psychological than real," make answers to questions that have become "almost classical by their nonsense," point out that "deposits" are not "deposits" at all, but merely "an enormous superstructure of credit," and "create money" when they issue a loan.

Bank Chairman McKenna, in 1924, was saying—only in other words—exactly what William Paterson was saying in 1694: that the banks create money "out of nothing." It came as something of a shock to the Governor of the Bank of England to find a Chairman of one of the Big Five "blowing the gaff" on the whole complicated pea-and-thimble calculations of High Finance; and not only telling the "ordinary citizen" that the banks "can, and do, create money," and explaining just how that wizardry operates, but undermining faith in our parliamentary system of so-called Democracy by stating, in words that do not beat about the bush, exactly who "directs the policy of Governments," and who shapes "the destiny of the people." It was enough to shock Destiny to find that, instead of being Fate, the Will of Heaven, the Wheel of Fortune, Kismet, Doom, Chance, he or she (or is it "It"?) has become—*a Banker!*

Taking all in all, 1924 was not a very good year for the keep-it-dark policy of the Money Power, but there was even worse to come. Sir Drummond Fraser, Vice

President of the Institute of Bankers, blurted out the following dictum:—

"The Governor of the Bank of England must be the autocrat who dictates the terms upon which alone the Government can obtain borrowed money."

There is nothing new or particularly startling in this state of affairs, except to those who know nothing of the historical development of the banking system. It has dawned upon many people of late years that "democracy," as we know it, is something of a farce, if not a complete hoax, but they fail to recognize who "directs the policy of Governments" and (to use McKenna's words) do not like to be told. It seems so staggering that the truth should be what it is, that they cannot believe it even when they are told by the bankers themselves, by banking accountants, by orthodox financial newspapers, and Chancellors of the Exchequer. It may not be possible to fool all the people all the time, but in matters of finance it has been possible to fool most of the people all the time, from 1694 to the present day.

It must not be thought that the people at large are being "fooled" by the bankers. The bankers have fooled themselves. They believe in their own "classical nonsense." Not one in a thousand ever comes to understand what the system is that he operates, nor how it operates. They are dead-honest "con. men" who not only have no intention of running a "racket," but imagine that they are carrying on a public service "in the national (and international) interests." There has, however, been one Bank of England director who resigned that position in disgust after he had come to recognize that the policy enforced by the Bank was not in the

national interest, but positively harmful. His name is Vincent Vickers, a director of the London Assurance Corporation, and one-time director of Vickers Ltd., Wolseley Cars Ltd., and of the Bank of England.

No such resignation would keep Norman awake o' nights. He is quite sure of himself, and not to be shaken either by sudden gusts or howling hurricanes. He keeps his course. By the servants in his own household he is known always as "The Captain"—no doubt a usage lingering from Boer War days—and the course The Captain had set was "back to gold." Within five years of his appointment as Governor he had achieved this objective—

O Captain! my Captain! our fearful trip is done!
The ship has weathered every wrack, the prize we sought is won. . . .

But with what incredible, what fabulous results, we have yet to tell.

CHAPTER FOURTEEN

NORMAN STRONGHOLD

PUNCTUALLY every evening a body of Guardsmen march from their barracks in Birdcage Walk, through Whitehall Court, and so along the Thames Embankment. Winter and summer, wet or fine, they march, headed by an officer. Tall, upright, very smart, rather toylike, rather like the March of the Wooden Soldiers, they swing stiffly along with the wide river on their right, where the tugs hoot and the seagulls skim. Clump-clump, heavily, steadily, they move at a slow, even stride, almost a slow march, past Cleopatra's Needle, and on to Threadneedle Street. Every evening, without fail, they take this route, and do not return to barracks until the next morning. It is the Bank of England guard.

As soon as they reach that massive-walled, blank-sided fortress—that Bastille of the Money Power in Britain—they disappear into it, like gnomes trooping into their secret dwelling in a mountain-side. It is all done quietly, unobtrusively, without fuss. Many Londoners who have seen the guard marching towards the City every evening do not know that it goes to guard their "gold reserve" while they sleep. Why soldiers of the regular army should be called out every evening to guard a private bank

any more than a public house would seem an odd thing if we did not know how the Bank came to have such protection.

The Bank of England guard is traditional. It has become "an old English custom," although it only dates from 1780, at the time of the Lord George Gordon Riots, when an angry mob surged to the very walls of the Bank, bent upon wholesale destruction. The Bank of England clerks were hastily mobilized on the roof of the building, armed with rulers, inkpots, sticks, stones, and anything else they could lay hands on. Troops were called out. They lined the street outside the Bank. In the fierce battle that followed the Bank clerks hurled inkpots, paste-bottles, brickbats, and other ready-to-hand missiles at the milling mob below. Ever since that day a platoon of Guards has marched each evening to guard the Bank. It has become as much a ritual as the giving of Maundy Thursday pennies to the poor at Westminster Abbey, or the trundling along of the giant effigies of Gog and Magog in the Lord Mayor's Show.

It is the kind of ritual Norman likes to see kept up, although the whole procedure of guarding the Bank is "more psychological than real." For, truth to tell, there is nothing much in the Bank to guard. Even the gold in the vaults is of no particular use to anyone in a modern industrialized community. But civic ritual and traditional usage give a sense of stability and confidence; and banking is built upon "confidence." The Bank guard helps to keep up this feeling of confidence.

Norman himself does not appear in the traditional top hat, frock coat, striped trousers, and spats of the cartoonists' capitalist-banker symbolizing High Finance,

and smoking a fat cigar. He is usually dressed carefree, with his soft hat crushed on the back of his head, or tilted over one eye. And he is never seen with cigar, pipe, or cigarette in his mouth. His nonchalant figure is that of a Chelsea artist—or a goldsmith stepped straight from the Middle Ages, dressed in the easygoing lounge suit of today. At the front entrance to the Bank, however, a very different sight meets the eye. Here, at a glance, we are plunged into the past. The Bank messengers are clad in the uniform of 200 years ago: pink jacket, scarlet waistcoat, black breeches, and top hats adorned with a band of gold braid. Only the breeches have changed: they used to be white. But it is the beadle who strikes the eye and the imagination. He is resplendent in scarlet and gold, with a crimson-and-black surcoat, and a fine cocked hat, a livery worn by the servants of the first Governor, Sir John Houblon. He stands on the steps of the Bank, a brave splash of color in the midst of a drab city, like a brightly painted figure from a child's picture-book. He is part of the traditional background to Norman's dream.

Up from the Tube railway comes a bearded figure hurrying along, crossing the traffic-jammed street at a run. It is the Great Man himself. No one knows by which door the Governor may choose to enter the Bank. There are four ways into the stronghold—Lothbury, Princes Street, Bartholomew Lane, and Threadneedle Street. He travels to work by Tube like the many thousands of other workers, but that is not because he is a democrat. On the contrary, it is because he is an autocrat, and chooses to do what he chooses to do. He prefers to travel by Tube to the Bank. To draw up

in a car in Threadneedle Street is suicidal, he considers.

As he strides into the Bank, he has a word for the doorkeeper and the beadle. These two functionaries scan everyone. They keep a sharp look out for "queer birds"—cranks who feel they ought to explain to the Governor their own pet monetary theories, or it might be some lunatic with a bomb, or a bold gatecrasher with a "gun" in his pocket planning to hold up the Chief Cashier. They keep an eye on everyone going in and coming out, but it is all done very quietly and politely.

The rebuilding of the Bank, begun in 1924, went on for ten years, and is not yet completed. The Governor's room overlooks the new garden constructed since the rebuilding. The old garden has been replaced by 60 feet of concrete. The new Bank is a gigantic bomb-proof blockhouse—a Norman stronghold. Four mulberry trees have been planted in the new garden, and as the Governor looks out upon them from his window, they remind him (or at least they remind the childlike spirit of the "Professor") of the applicability of the nursery rhyme, *Here we go round the Mulberry Bush!* to the gyrations of the monetary system. For everything in the new Bank is highly symbolic. Indeed, it is a hotch-potch, a pasticcio, a patchwork of symbolical odds-and-ends.

On the walls of the Governor's room, decorated in Adam style, are four plaster roundels representing the Labors of Hercules—cleaning out the Augean Stables, slaying the Hydra, destroying the Stymphalean Birds, and obtaining the Golden Apples of Hesperides. But the Labors of Sisyphus—for ever and for ever pushing

a great boulder to the top of a hill, where it always and for ever rolls down again to the bottom—are not depicted. Norman looks upon himself as a Hercules, not a Sisyphus. And in this room there are two niches. In one stands the statue of Montague, Earl of Halifax, who was Chancellor of the Exchequer when the Bank was founded. The other niche stands empty, and will, it is said, hold the statue of another Montague (without the "e")—that of Montagu Norman himself.

Alas, the new Bank garden is trim and ugly, as though it had been ruled up with a ruler. The old garden court was a lovely haphazard patch—a God's acre amidst the dreary pomp of heavy stone architecture —in which there stood a crooked lime-tree surrounded in early spring by a host of nodding daffodils. There is a story about that tree. It was well known to an American woman who sometimes visited the Bank. She was told it was to be cut down during the rebuilding operations, "but we are holding things up until the doves have finished nesting." Every year the doves had built their nest in the lime. She visited the Bank again in 1939 and asked about the doves and the tree. The doves had nested, the young had flown, and "the tree had never looked so healthy as when they cut it down." The beadle shifted his cocked hat and twitched his braided crimson-and-black surcoat, as he added—"The Governor must have shed a few tears over the tree coming down. . . ."

The lime, the doves, the tears . . . all that has been woven into the legend that has grown around Norman's personality. What a strange legend it is, built, for the most part, "out of nothing." The clandestine "Pro-

fessor," the Boer War Captain, the man who delights in artistry (one of his favorite *objets d'art* is a block composed of many rare polished woods), the "Despot" of Threadneedle Street, the philosopher who believes that a country is better poor than rich, the "Crusader," the "Visionary," the mystic who looks upon psychological effects as less "real" than, for instance, Gold Coin and Bullion, the accounting of which is not to be understood even by eminent bankers, the man of literary tastes who knows his Kipling inside out, the indefatigable "back-to-gold"-smith, the Tube-traveler with a "private diplomatic corps," the Privy Councillor, *The Times* Committee-man, the man who, by "refraining from renewing Treasury Bills," can "upset the whole fabric of Government finance," and now—the poet who will not disturb the doves nesting in the lime-tree . . . who weeps when the old tree has to be cut down. . . .

The old Bank building was low and rather squat. I remember, as a boy, coming to London from the North of England and seeing the Bank for the first time. I did not know my way about the City, nor, indeed, much about London. I stared at the blank, windowless walls. I thought it was the Fleet Prison—"The Debtors' Prison"—of which I had read. A good many years later, I discovered that this notion was not entirely wrong, except that the "debtors" were not inside the prison, but outside it. That, in fact, the whole nation had been put into debt to this private company.

The new building, designed by Sir Herbert Baker, now dwarfs the old structure which looks something like a garden wall round it; for the new Bank is seven stories high. It is constructed of concrete, and has three

stories below ground. At any moment the vaults containing the magical gold can be flooded. No bomb can penetrate the enormous thicknesses of solid concrete. Have we called it a fortress? It is said that there are gun-emplacements on the roof.

An unusually fine spiral staircase devoid of arch supports, winds its way through the center of the Bank from basement to roof. There are bronzes at the front door, and mosaics on the mezzanine floor, one series of which represents various coins. There is a circular mosaic showing lions supporting a pillar of strength, symbolizing the strength of the Bank of England. On the first floor is a suite of rooms for the use of the directors. Here, a blue and gold clock gives the time in this country, and the corresponding time in various parts of the Empire. In another room the walls are decorated by well-known contemporary artists. Each painting shows some aspect of the work of the Bank. Every figure depicted is a likeness of a living person connected with the Bank, and in one group of Bank notables is Montagu Norman. And Norman's face has been incorporated on the heads of two gods—Janus and Jupiter—done in mosaic by Boris Anrep.

Over the pediment of the old Bank building appeared a sculptured female figure, draped in classical style, but whether she symbolized Britannia or the Bank itself nobody ever knew. She has been replaced by a more modern sculpture of a female form, very thick in the limbs, with a cape flying in conventional fluted folds, sitting on, apparently, a globe of the world, and nursing on her right knee a simplified model of a Greek temple. Whether this is "The Old Lady" grown younger into a

rather plump matron is not revealed. It was sculptured by Charles Wheeler.

The keystone of the new building shows Pythagoras, the ancient Greek mystic philosopher and mathematician who taught metempsychosis, and round his head is a garland of mystical numerals. It was Pythagoras who said: *God created the world by Numbers;* and, today, the banking system keeps the world in thrall by Numbers. Even though there may be bread in plenty, and thousands of tons of wheat are deliberately burnt in order to maintain prices, you cannot get a crust of bread unless you have the necessary Numbers. For what is Money but Numbers? Pythagoras would smile to see mankind mistaking Numbers for Things.

In the early part of 1932 a rumor went the rounds in the City that the design of the Caduceus, better known as Mercury's Wand, which appears on the new doors of the Bank, was to disappear. The reason given was that it had recently been brought to the notice of the Governor and Court of Directors that this design was also the regimental badge of the Royal Army Medical Corps, frequently referred to in the barrack-room as "Rob All My Comrades." But that, surely, was invented by some city wag?

We do, however, know quite authentically exactly what takes place in this financial fortress when a Court of Directors is held. Mr. John T. Day gave an account in a booklet published in 1928. He bought some Bank of England stock a few years before, and became a registered proprietor entitled to attend the General Courts.

"These," he says, "are held every six months, and

their sole purpose is 'to consider of a Dividend,' in the quaint language of the invitation which reaches you after you have applied for it. But such invitations are not broadcast. They have to be applied for. They are then sent as a matter of course. I attended one of these Courts only a few days ago. About a dozen other elderly gentlemen were present, who were outnumbered by the Directors and officers who trooped in through the swing doors at the back of the room as the clock struck the hour of noon. Before the sound had died away all were seated and the business commenced. Seven minutes later the proceedings ended. They were purely formal. Everything was read. Not a word was wasted. Nobody was elected to any office and no explanations were offered of the accounts, which were not even presented. We were merely told that the profit for the half-year amounted to £696,645 'after providing for all contingencies,' and that the Court of Directors recommended a dividend of 6% for the half-year, less income tax. This was approved, and then the secretary read a previously prepared minute of that same meeting, setting forth the proceedings which had just taken place. This minute, with the exception of the figures, was identical with the minute of the similar meeting six months earlier, which had been confirmed five minutes before. What a disdainful farce!"

Seven minutes every six months! No wonder this shareholder called it a "disdainful farce." In the garden court the doves were nesting in the lime-tree. Outside, in the streets, the unemployed were tightening their

belts. There were well over 2,000,000 of them. They were short of only one thing—Money. "The Bank hath benefit of interest on all moneys that it creates out of nothing." What, in reality, was lacking? In a word—*Credit.* What is "credit"? Every banker knows. It is "confidence." During the years 1914—18 the country had "a wonderful example of what book-keeping can do when it has the confidence of a rich community behind it." Was the community now poor? It was enormously rich in its ability to produce, and go on producing, Real Wealth—i.e., goods and services. But it was being systematically reduced by the process of "deflation" to a state of Artificial Poverty. What was it Norman said to his banker friend?—"Tell me, do you think it better to be rich than to be poor?" That remains a fundamental question for every individual living in a fully industrialized community today.

Norman, sitting in his room at the Bank, with the Labors of Hercules surrounding him, gave out the ukase to the British people: *Back to gold—tighten your belts—poverty is good for you!*

CHAPTER FIFTEEN

"GOLD! GOLD! GOLD! GOLD!
BRIGHT AND YELLOW, HARD AND COLD."
—(Hood)

MAY 13, 1925, was Governor Norman's day of triumph. On that day Britain went "back to gold." No more squandermania. No more "money for jam." The politicians did their best to school the public in the way they should go. "Spend wisely," said some, while others said, "Saving is wise spending." The people must be taught to get their money-boxes out and drop in their spare pennies. The fact that most of them had no pennies to spend, much less to spare, made no difference. "Spend less—Produce more!" was the great slogan of the day. "Spend"—"don't spend"—"save"—"don't hoard"—"spend wisely"—no wonder the public was utterly bemused! Did it matter? Not a bit. Whatever they were being told to do was of no consequence. They were being steadily and systematically "deflated," and, whether they were advised to Spend or to Save, it made no whit of difference, for they had not the purchasing-power to do either. Most of them felt it was a very good thing to have got back at last to Gold. Things would be better soon . . . now that they were

"back on gold." Trade would begin to pick up. Alas! they little knew what pegging a rich community's credit-system to gold would mean. It meant less and less money to spend, and therefore a bigger and bigger "slump," with more and more unemployment.

Not a Fatted Calf for a feast, but a Golden Calf for a fast, was to bring Prosperity! And Prosperity, you may remember, was always "round the corner."

People talked a great deal then, and have talked more since, about gold and the gold standard. But very few know how Britain ever came to use gold as currency. Round about 1700, silver was the standard currency of the kingdom. Gold was a luxury currency for the convenience of the wealthy. The development of colonization and the increasing trade with North and Central America, the East and West Indies and China, called for large quantities of currency. A steady drain-away of the silver coinage of the kingdom set in, and, it seemed, nothing could stop it. Silver was pouring out of Britain along all the trade routes of the world.

Sir Isaac Newton, the great mathematician and philosopher, was at that time Warden of the Mint. He carried out a number of experiments with a view to reducing the market value of the guinea on the Continent, so that gold could be used, as well as silver, in liquidating foreign debts. The guinea gold coin was originally issued to circulate at the value of 20 silver shillings. But it had never been issued in sufficient quantity to come into general use. Its scarcity caused a rise in value, and in 1700 it was circulating at 30 silver shillings. In 1717 Sir Isaac issued a report entitled, *The State of the Gold*

and Silver Coins of the Kingdom. Under his advice the value of the guinea was reduced from 30s. to 26s. It did not succeed in slowing the flow of silver. Again the value of the guinea was reduced from 26s. to 22s. And still the gold refused to leave the country! A third experiment reduced the guinea to 21s. 6d., with the same result.

Sir Isaac Newton's experiments resulted in the somewhat crude formulation of the quantity theory of money. It was found that the purchasing-power of money, or its circulating form, depended rather on the quantity in circulation than on the substance or metal of which it happened to be made. That was a great discovery, in itself. But mankind has not yet learned the lesson. The lesson, of course, is: *that anything can be used as money, on condition that everybody agrees to exchange goods and services for it.* Thus, mankind has used shells, grains of corn, stones, salt, iron, wampum-beads, gold-dust, and a hundred and one other things—as well as Paterson's "out-of-nothing" money in the form of pieces of printed paper.

In 1925, Old-Man-of-the-Mountain Montagu Norman took no account of that simple fact. He forced the Government to return to the gold standard. Not that they needed any "forcing"—for they knew nothing whatever about the subject. They were very glad to have the advice of this Master of Monetary Magick. They did what they were told. And supposing they hadn't? Suppose someone in the Government had said "No. This gold-worship is sheer nonsense. All we need is an efficient bookkeeping system backed by the confidence of a rich community that it can go on producing

Real Wealth." What would have happened? The *Financial Times* had already given the answer in 1921, when that paper asked whether Cabinet Ministers and M.P.'s realized "that half a dozen men at the top of the Big Five Banks could upset the whole fabric of Government finance by refraining from renewing Treasury Bills." That was a threat? It sounded very like it. But Governments are too busy governing, and playing golf, and making longwinded speeches, and unveiling war memorials, and attending conferences, and having tea with friends on the Terrace at the House of Commons, to read the *Financial Times* carefully, and to begin to think clearly about the realities of money and monetary policy.

High Priest Norman set up the Golden Calf, and the people rushed to worship it, rather than enter the Promised Land of Plenty.

Sir Charles Morgan-Webb, in *Ten Years of Currency Revolution,* writes:—

> "The operations of currency management conferred upon the Bank of England the power to restrict credit, to postpone new enterprises, to lessen the demand for constructional materials and other capital goods, to create unemployment, to diminish the demand for consumable goods, to cause difficulty in renewing loans, to confront manufacturers with the prospect of falling prices, to force dealers to press their goods on a weak market, and to cause a decline in general prices on the home market. In brief, the stability of the international exchanges was accomplished by a process which deliberately caused universal depression in industry, created unemployment, and forced manu-

facturers to produce, and merchants to sell, at a loss."

The return to gold was merely another and more powerful weapon in bringing about economic suffering in Britain, in order to further the world-stabilization dream of Montagu Norman. The General Strike of 1926 was precipitated by the Coal Strike, and the Coal Strike was the direct result of credit-restriction—Deflation—now riveted upon the British people by rivets forged, not even of real gold, but of gold-mythology: the belief in gold.

The late Lord (then Sir Josiah) Stamp, the statistician, railway magnate, and expounder of economic orthodoxy, in his addendum to the Report of the Court of Enquiry (1925) on the Coal Mining Dispute—of which he was a member—declared "in my opinion, therefore, the recent improvement in the exchange or decline of the price level . . . is sufficient in itself to account for the special plight of the (coal) industry since 1925." All other British industries were in exactly the same plight, and for the same reasons. Finance is international, and it was (and still is) more important to save the international exchanges from shipwreck, than to save Britain.

We have seen how, in 1914, the gold standard mechanism broke down at the very breath of the word "War," long before any real strain began. What were Waterlow & Sons doing a week before war was declared? Printing paper money, because the "gold backing" of the "enormous super-structure of credit" was—*not there.* Yet during the four years of war, despite the ever-increasing strain on the dollar sterling exchange, the

rate became absolutely stable for the first time for centuries. The reason for this "stability"—which, after all, is what Norman, and all other international bankers, are after—was quite simple. The adverse balances were adjusted by means of—can you guess?—nothing more magical than *bookkeeping*. And this bookkeeping adjustment on adverse balances, amounting to £650,000,000, was, according to A. S. Baxendale, the economic writer, "effected by Britain by means of productive securities." In other words, by the ability of the British people as a whole (throughout the Empire) to produce and to go on producing Real Wealth, in the form of goods and services.

The cause of the "stable money exchange" during that World Slaughter was due to the fact that it was maintained by a backing of the real productive capacity of "a rich community," instead of gold. There was no natural post-war Slump, no natural Economic Blizzard, no natural World Depression. Those effects were brought about artificially by the operations of the international financial system itself in generating Fictitious Debt. But the "stability" maintained during war conditions by the simple process of bookkeeping adjustments, would have reduced the banking institutions and the Bank of England to a no more powerful status than that of National Bookkeepers; and that is a position that would not suit the Despot of Threadneedle Street, and his co-despots in the International Banking Combine.

The utter futility of gold and the gold-myth was brought out sharply in the Interim Report of the Gold Delegation of the League of Nations. It was estimated

that in consequence of the diminishing annual production of gold, the supply available for monetary purposes would, by 1940, have fallen to precisely half of what is necessary *(sic)* for normal economic development. How long, one wonders, will it take mankind to learn that on a desert island gold is useless, and on a fertile island quite unnecessary.

From the time he became Governor, Norman has been in the position of a super-Permanent Official to every Chancellor of the Exchequer in turn. They are said to "slip into his pocket" as soon as they take up their duties. Lord Snowden wrote, "The Chancellor of the Exchequer sees much of the Governor," and then added the correction, "It would perhaps be more correct to say that the Governor sees much of the Chancellor of the Exchequer." If that means anything, it means that the Chancellor of the Exchequer runs for "expert advice" to the Governor of the Bank, and there is not the slightest doubt that this is so.

Winston Churchill was Chancellor at the time of the return to the gold standard. He also was something of a Whimsical Walker, with a past reputation for madhattery. And, like most Chancellors of the Exchequer, he knew just nothing at all when it came to questions of economic reality and financial necromancy. Norman had him spellbound with the gold-myth from the outset. Indeed, it was Churchill who, in a public speech, said that there was one acid test of the soundness of a financial policy—namely, its "unpleasantness." What is that but the Poverty-is-good-for-you philosophy? This was just the Chancellor to put through Norman's return-to-gold plan.

Even after the disastrous effects of this return became clear to every student of economics, Norman was able to maintain his "invisibility." In 1925 the ordinary citizen hardly knew his name. Journalists had not yet broken that age-old taboo against criticizing the Bank or even mentioning the name of the Governor. Norman snubbed the Press. "As for the Press," says Dr. Einzig, "it was treated with a contempt (by the Bank) which would not have been tolerated from any other institution, but which was richly deserved for the servility with which Editors and journalists have refrained from criticism."

CHAPTER SIXTEEN

SECRET CONCLAVE

A PERSONALITY-MYTH builds itself like an iridescent bubble. No one sees the bowl of soapsuds and the clay pipe. The bubble floats, changes color miraculously, bulges, wobbles, and—sometimes—bursts in mid air. Part of Montagu Norman's personality-myth is his reputation for having a marvelous memory. He would be no use as a Pelman advertisement, for he does not need the *Little Grey Books*.

When he receives a visitor, he sits at a desk entirely free from papers, pads, or any other aids to memory. The desk-top is as blank as a sheet of ice. He never makes a note. He never forgets a conversation. The secret of this astonishing memorizing is to be found in the right-hand drawer of his desk. Here the Governor keeps a diary. When his visitor has left, the Labors of Hercules begin. He takes the diary from the drawer and carefully enters the name of the person, the date, time, place, and the chief items of the conversation that has just taken place. Fleet Street would give its ears for a peep into those diaries. . . .

It is unlikely that Norman's desk-drawer "memory" holds the following facts, recorded by A. S. Baxendale in his *Defeat of Gold:*—

"The original issue of currency notes was forced

on the Treasury in August, 1914, in order to save the banks from the ruin they had courted by financing Germany on the eve of war to the extent of £200,000,000—this money being used by our enemies for the purchase of war munitions to be used against us."

No wonder the doves of peace and their lime-tree had to disappear from the garden court when the Bank was rebuilt.

The social-economic misery that followed the deflationary policy ruthlessly imposed upon the country by the Bank—and when one speaks of "The Bank" one is speaking of the Governor himself—was, by the end of 1926, beginning to find expression in the public Press. The writer of the gossip column in the *Evening Standard,* under the heading "A Londoner's Diary," discussed very frankly the fact that Montagu Norman had held the office of Governor for nearly seven years. He pointed out that Norman was a comparatively unknown man in the City at the time of his appointment, and that his firm, Brown, Shipley & Co., was "a British branch of the far more important American business." The gossip-columnist stated boldly—"The Bank, as a public institution, is under private ownership and control. Its Governor has immense power and cannot be called to account by the nation." He then went on to deal with the question of who would succeed Mr. Norman "when he retires." He need not have bothered. Mr. Norman had no intention of retiring. He had fixed himself barnacle-tight in the Governor's chair, and has remained there ever since. He has not yet made his dream come true enough.

In 1926, the only man who foresaw what was likely to happen was the new-economist, Arthur Brenton, who wrote in the *New Age* (Oct. 28th)—"If, later on, Mr. Norman should be promoted to the Governor-Generalship of a sort of 'Central Bank of Europe' . . ." That was exactly what happened. It took another six years, but it happened, as we shall tell in due course, and today the Bank of International Settlements at Basle is not only the "Central Bank of Europe," but G.H.Q. of the World Money Power.

It was in July, 1926, that Norman was discovered in Nice. "I am simply on holiday," he said. It was true, no doubt, but it was also true that he was on his way to Antibes, where a secret confabulation had been arranged between Norman, Mr. S. Parker Gilbert, Agent-General for Reparation Payments (Berlin), director Bankers Trust Company (New York) and later, partner in the firm of J. P. Morgan & Co.; Mr. Benjamin Strong, Governor of the Federal Reserve Bank of America; M. Moreau, Governor of the Bank of France; and—Dr. Schacht, of the Reichsbank. It turned out that they met to discuss how to "save France" from financial collapse.

This was one of the first of a series of secret meetings of the Central Bankers: meetings more secret than any ever held by Royal Ark Masons or by any Rosicrucian Order. Norman's dream was shaping in actuality. Secret as they were, these meetings began to intrigue newspapermen searching the world for a "story." By the end of the summer of 1926 the mysterious comings and goings of Norman and other international bankers began to seep into the Press.

Thus, the *Commercial and Financial Chronicle* reported:—

"Although neither Mr. Strong nor Mr. Norman will discuss their presence here (Antibes, France), investigation at their hotels shows that both men have been following the French Parliamentary discussions at Paris closely, with indications that Emile Moreau, newly appointed Governor of the Bank of France, has been communicating with them at great length. . . . The widely varying reports of the activities of the financiers published in the French and Foreign Press have noticeably annoyed both Mr. Strong and Mr. Norman. Mr. Strong, in his efforts to guard himself against correspondents, has turned the historic old Hotel de Cap, once the favorite Riviera resort of European royalty, into a veritable fortress. The hotel has been so upset during the last week that the management has issued strict orders to all employees not to deliver messages of any kind to the two men. The concierge, trained during the regime of royalty at the hotel, declared that kings and princes never received such marked attention. Even the smallest of provincial newspapers of the district has sent representatives in an effort to obtain interviews."

That is what comes of an abnormally developed secrecy-complex. It is to be noticed that Mr. Benjamin Strong suffered from the same psychological reflex. The mere mention of "The Press" was enough to make him shut himself up like a clam in its shell, and to turn the Hotel de Cap into "a veritable fortress." The fact is that all international central-bankers dread publicity more than the Devil dreads holy water. And for the

same reason. It would destroy their power by exposing the basis upon which it rests—i.e., a gold-myth and credit-loans created "out of nothing."

The flittings hither and thither of Governor Norman, and other banking "experts," to attend secret conferences, esoteric meetings, and hidden conclaves in Europe and other parts of the world, during the next decade, were nothing short of pathetic. First they imposed deflation in an attempt to stop rising prices—then they had to rush round looking for gold in an attempt to stop falling prices! Their "fear" of rising prices was, whether conscious or not, merely a cloak to cover up their real fear that the corresponding expansion of out-of-nothing credits would demonstrate the fact that gold was not a necessary factor in such expansion. Their fear of falling prices was due to the fact that industrialists only show enterprise under the inducement of rising prices. And if Industry slows to a standstill under the credit-restriction brake, Banking and all its works would be swept aside by a nation in active revolt against unemployment and hunger. In a word—*revolution.*

Having got Britain back to gold, there now developed a dreadful fear of a "gold shortage!" But as gold itself would have no value at all but for its *scarcity* value, and depends entirely upon there never being enough of the "yellow dirt" to go round, the whole gold-myth is revealed as a fantastically fabulous chimera.

Norman's back-to-gold policy was already creating a European and international upheaval. In fact, a whole series of upheavals, crises, and depressions, that came to their climax in the World Crisis of 1931.

CHAPTER SEVENTEEN

LIAISON OFFICER—OR COMMANDER-IN-CHIEF?

IT WAS towards the end of 1927 that Norman began to rival Edward, Prince of Wales, as a star-turn in the columns of the popular press. An unsigned article appearing in *John o' London's Weekly* at the time, described him as "a born diplomat, and something more than that, for one feels that with him the stability of the world-state counts more than the economic climb of any unit of it, not excluding Great Britain."

The "world-state?" . . . H. G. Wells was, it seems, well out of date, even in those days. The world-state of international finance was already in being, and its "stability" was the first concern of the Governor of the—so-called—"Bank of England!" With a name like that, you might have imagined that this great 200-year-old British (?) institution would feel it its duty to look after the interests of Great Britain, first and foremost—or at least, the interests of that part known as "England"? Not a bit of it! Without the shadow of a doubt, the anonymous writer of that article was entirely correct in what he said about Norman's outlook. It is the outlook of the international financial mind, in which the building up of a banker-ruled world-state is of far more importance than the bread-and-butter welfare of

any unit of it—*"not excluding Great Britain."* Norman is a bank-wizard dealing in world financial affairs, with Great Britain limping along as best it may. That is one of the reasons why the idea of "economic nationalism," as opposed to financial internationalism, has been able to make such rapid headway in these islands over the past decade or so.

The same unknown writer, just quoted, has more to say about Bank Governor Norman, and what he says not only reveals the world-complex in which British banking is enmeshed, but also the *persona* of Norman himself:—

> "The assistance he has frequently rendered to European nations to establish their fortunes proves that he recognizes more clearly than most men that the fabric of international finance is so delicately interwoven that one weak thread cannot with safety be left unrepaired."

And yet, with all this rendering of "assistance," interweaving of financial "fabrics," and repairing of "weak threads," the actual economic state of the majority of citizens in every industrialized country of the world was (and still is) utterly deplorable. The fact is that the technique operated through the banking system is like that of a halfwitted tailor who, in order to patch a pair of trousers, cuts a square out of a coat; and, in order to patch the coat, cuts a piece from a waistcoat . . . and so on, until the whole thing is one mass of patches, patched together, with the inevitable unpatchable hole always appearing somewhere.

The nameless journalist continues his account of Norman's activities:—

"In England his position and prestige are unique. He acts as liaison officer between the City and the Treasury. Political and financial problems are so closely related that it is of the first importance that the relations of the Governor of the Bank and the Chancellor of the Exchequer must be frank and intimate. And it is safe to say that every Chancellor of the Exchequer who has served since 1920 has hailed with delight the continued and unprecedented stay of Mr. Norman in the Governorship."

That is an accurate picture of the position, as far as it goes. It does not go far enough. That Norman is a charming and cultured individual goes without saying. But he is certainly very much more than "a liaison officer between the City and the Treasury." Far more than a go-between. He is the man who decides the policy of the Bank, and informs the Treasury of his decisions. He does not take orders from the Treasury. On the contrary, he is the Expert Adviser sought by the Government. Chancellors may come (and serve their turn in office), and Chancellors may go—but "Professor Clarence Skinner" stays put, quite unaffected by any change of governmental administration. He is not elected by the voters of these islands. He is not even appointed by the Government. Yet it is true to say that any elected Government that went counter to Norman's policy, as "advised" by him to the Treasury, would very soon find itself in the midst of a "financial crisis," tossing about like a rowing-boat in an Atlantic storm. Not a very good look out for our so-called "democracy," perhaps? Or is it? . . .

Whether or not, the fact remains that this quite

extraordinary personality has understood, instinctively for the most part, how to grasp the mechanism of the Bank and to use it, as never before, as the weapon with which to make or unmake Governments—over the heads of what Hitler has called the "voting cattle": the electors who take the trouble to go to the polling booths and mark an X on a ballot-paper. *Montagu Norman is not only Governor of the Bank of England, but Governor of Great Britain.* Would-be Prime Ministers, and coming Chancellors of the Exchequer, who have any independent spirit left in them, and who desire to act as statesmen in a free democracy under the Crown, should ponder this position.

CHAPTER EIGHTEEN

"NEVER EXPLAIN, NEVER APOLOGIZE"

IN THE early part of 1927 the *Wall Street Journal* said:—

"Mr. Montagu Collet Norman, the Governor of the Bank of England, is now head and shoulders above all other British bankers. No other British banker has ever been as independent and supreme in the world of British finance as Mr. Norman is today. He has just been elected Governor for the eighth year in succession. Before the war, no Governor was allowed to hold office for more than two years; but Mr. Norman has broken all precedents. He runs his Bank and the Treasury as well. He appears to have no associates except his employees. He gives no interviews. He leaves the British financial Press wholly in the dark as to his plans and ideas."

Well, the *Wall Street Journal* should know. Mr. Hooley, in his "Confessions," told how, when he was at the height of his power, there was such a demand by the Press for "copy" about him that any journalist who had a new story could be sure of selling it for ten shillings a line. Something of the same kind of journalistic boom in "Norman stories" was now taking place in the U.S.A. There were columns and columns devoted to his history

and achievements in the American newspapers. A long article appeared in the *New York Times* of April 3, 1927, by Clair Price. But all the writer could find to say about him was that he was a bachelor in the middle fifties, that he was "unknown in financial London" until he was elected Governor of the Bank, and that his firm was Brown, Shipley & Co., "an American bank, better known in New York than in London." In filling out these few and secondhand facts, the writer referred to the "hardships of deflation," but dismissed all that—the semi-starvation of millions of men, women, and children in Britain and throughout the world—with the almost contemptuous observation: "No doubt the hardships are there, but deflation is an accomplished fact." So that was that. He went on to say:—

> "In 1920 the pound sterling dropped to as low as $3.20. Today it stands around $4.85. To the men in the street that simple fact identifies Mr. Norman, and always will. The Bank's colossal achievement of a return to the gold standard ranks him among its great governors."

That empty niche in the Governor's room . . .

On March 11, 1927, the *Wall Street Journal* had a great deal to say, and it is of particular interest in revealing Norman's characteristics and achievements from the point of view of the American money-center:—

> "Montagu Collet Norman, as Governor of the Bank of England, has wide powers in determining the course of British credit. No foreign issue appears in the London market without his approval. He, more than any other banker, has inspired the policy of

banks of issue in a dozen countries. His personal influence is such that he has variously been called 'a Crusader' and 'the Currency Dictator of Europe.' . . . He keeps his name out of the Press as much as possible, rarely appears in public, and goes to extraordinary lengths to hide his movements. While in Brussels a year or two ago, with Benjamin Strong, of New York, they registered at their hotels in the names of their valets."

Always the same story. Secrecy. Hiding, Hide-and-seek . . . "Professor Clarence Skinner" was already slinking around. The article continues:—

". . . Inflexibility and tenacity are his characteristics. His critics say he had a hand in making the return to gold too rapid, and that much hardship to export trade and unemployment could have been avoided had the transition been made more slowly—if at all . . .

"The extent of his powers well makes him the currency dictator of Europe. The Federal Reserve Board has not ignored his desires in shaping bank-rate policy . . . When Britain returned to the gold standard, many Continental banks shifted gold balances to the Bank of England. Mr. Norman insisted that Poland, Greece, and other countries maintain gold deposits at the Bank of England in order to get credit accommodation. He berated the Governor of the Austrian Bank a couple of years ago for Austria's failing to make administrative economies. He blocked a Latvian loan because the city of Riga had not lived up to its obligations."

He was saving Europe from the fate of Periclean

Athens and Imperial Rome. The new post-war Europe must "pay up"—or else . . .

"Relations between Mr. Norman and Dr. Schacht, of the Reichsbank," says the *Wall Street Journal,* "are very intimate. The creation of the German Gold Discount Bank was only made possible through close co-operation of the Bank of England."

And then we hear something about the weapon wielded by the Despot of Threadneedle Street, who, by now, had become the Currency Dictator of Europe:—

"A most effective weapon which Mr. Norman wields is his power to restrict foreign issues in the London market. The embargo on foreign loans was formally withdrawn in 1925. Actually, however, the Bank of England still passes on foreign loans before issue in London. So close are the credit relations of heads of financing houses with the Bank of England that they would not think of bringing out a foreign loan where the Bank disapproved. One of the smaller issue houses tried it in connection with some Dutch financing a couple of years ago. But the ways in which the Bank was able to hamper its dealings discouraged others from repeating the attempt."

It is not only the people's elected Government that can have "the whole fabric" of its finance "upset" by a refusal to renew Treasury Bills. Even the financial houses of the City of London—the bankers themselves—can be, and are, brought to heel with a crack of the whip. And this cossack-technique extends also to the Empire:—

"Empire borrowing, especially that of Australian States," says the same paper, "has been closely regu-

lated by the Bank of England . . . Governments which refused to return to the gold standard and to fall into line with the issue policy of the Bank of England, found the London market closed to them."

Within six years the Governor had made himself the Credit Dictator of the British Empire, using the Crook-and-Flail of Gold as his symbol of power. Tutankhamen was a local town councillor compared with Pharaoh Norman. In conclusion, the Wall Street paper said:—

"Mr. Norman has been Governor of the Bank of England since 1920. In the opinion of business circles, there is no reason why he may not continue indefinitely in office. There is no real barrier to Mr. Norman's continuing to wield the authority of a benevolent currency dictator in Europe."

It is not surprising to learn, therefore, that the unwritten motto of the Bank and its Governor is—"Never explain, never apologize."

The following Chancellors of the Exchequer had, up to now, served under the direction of the Bank Dictator, and each in turn had, it seems, "hailed with delight" Norman's "unprecedented stay" in office:—

Robert Horne, Austen Chamberlain, Stanley Baldwin, Neville Chamberlain, Philip Snowden, Winston Churchill: of which Churchill remained as Chancellor from 1924 until 1929. But "nursing" British Chancellors was only part of Norman's work. In May, 1927, he was off to Germany to consult with Dr. Schacht, and in August one of the most important meetings of the world-banking fraternity was held in Washington. Here an agreement was reached between the central banks not

to interfere with each other's gold reserve without each other's consent. The aim of this was to stop the frantic grab-for-gold.

In the spring of that year France had been a very naughty child. She would not play the game in accordance with Teacher Norman's rules. The Bank of France withdrew large amounts of gold from the Bank of England, notwithstanding the protests of "the British monetary authorities"—i.e., the Bank Governor. A meeting took place in Paris between M. Poincaré and Mr. Norman, at which the Frenchman is said to have declined to give an undertaking to refrain from such withdrawals. "Great Britain," he said, in effect, "enjoys the advantages of being on the gold standard, and must put up with the disadvantages." Governor Norman is said to have replied: that the gold standard existed for normal commercial requirements, not for enabling central banks to play a game of catch-as-catch-can with each other's gold stocks. This argument did not make much impression upon M. Poincaré, but, after a time, the French authorities realized that they had better toe-the-line along with the other central banks, in accordance with Norman's wishes. In practice, however, the Bank of France, although refraining from making any direct gold withdrawals, followed a policy that brought about a constant flow of the magical metal from London to Paris, between 1929 and 1931.

It was largely owing to the attitude of the Bank of France that Norman's efforts to "mitigate the evil effects of the scarcity of gold" by a system of central bank co-operation did not succeed.

So the crazy game of financial snakes-and-ladders goes

on: slowly climbing to a "boom" here, slithering into a "slump" there. From 1925 to the present day the international bankers have had to rush from one country to another in their almost frenzied attempts to hold together the web of gold-myth and credit legerdemain. (Perhaps it should be written "ledgerdemain"?) In all these years of dash-around and get-together, Governor Norman has led the bankers of the world. And if, on any occasion, there has been intelligent criticism—what of it?

"Never explain, never apologize."

CHAPTER NINETEEN

"OFF WITH HIS HEAD!"

DURING these years, the old Bank building was scaffolded, carefully demolished according to plan, excavated, and re-built day-by-day. The place was full of workmen with picks and shovels. Carts filled with rubble came out. Scoops grubbed-up and grabbed tons of earth. Cranes and buckets swiveled slowly round, dipped, filled, swung clear, and emptied. And every workman was searched. Uniformed police, and a whole army of plain-clothes detectives, kept guard night and day. Press reports said:—

"It will be easier for a criminal to pass through the eye of a needle than to break into the new Bank of England. The huge structure, in the very heart of the City, will for all practical purposes be the strongest fortress in the world when it is completed. Bombs will not be able to harm it, and high explosive shells will be useless against its walls. The work was calculated to take twelve years, and cost approximately £5,000,000. About half the work is finished, which includes the domestic part of the Bank. This work includes a wonderful kitchen, dining, library and other rooms for the staff. The kitchen which has installed all the modern appliances, cost £40,000. The Bank even possesses a wine cellar filled with

liquor to the value of £30,000—for the benefit of the governors and other officials."

One magazine printed the following account in 1928:—

"On the second floor has been constructed a defense that will strike terror into the hearts of the most daring cracksmen. It is a small tunnel leading to—only a dozen people know where. It is a two-fold defense—against burglars and fire, for the pressure of a button inside the Bank, at Scotland Yard, or at the house of the Governor, will send scores of tons of water hurtling through the gap to flood the vaults . . . Miles of wires interlace the new building, forming the most intricate alarm system in the world. New and secret devices—devices which may never be made known for use in other buildings—have been installed. So delicate are the alarms that a glove or a pocket-book dropped in a most unlikely spot would stir half a dozen electric bells into activity. Detectives were previously stationed at the gates, but they attracted too much attention . . . The entrance to the vaults is zealously guarded by detectives stationed in 'bogey-holes' at various points of vantage."

At this time the Bank was insisting more than ever on its being a private enterprise, in no way belonging to the constitution or subject to Parliamentary supervision. It was, nevertheless, transforming itself, hour by hour, into one of those fantastic fortresses—with trapdoors, tunnels, bogey-holes, booby-traps, electrical alarms, and flood-gate devices—that delight the hearts of schoolboys when they read about them in some thrilling hair's-breadth-escape serial story.

While all this digging and rebuilding, wiring and fitting, was going on, the Bank Notes and Currency Bill was debated very feebly in Parliament. Very feebly, because M.P.s know nothing about monetary technique and its effects upon the welfare of a community. *This Act transferred the King's currency to the Bank of England.* The old Treasury Notes showed the King's head upon them. In the design of the new Bank of England Notes the King's head disappeared! The people's paper money ceased to have any authority under the Crown, and was now issued to them, very kindly, by the private Joint Stock concern called "The Governor and Company of the Bank of England." The Governor did not, it is true, dare to engrave the head of a Bearded Visionary wearing a hat-with-a-ticket-in-the-hatband in place of the bearded head of King George V. But the King's head was replaced by that same middle-aged lady who used to appear sculptured on the pediment of the Bank. She is, we suppose, the "Old Lady" herself. She cannot be Britannia, for she sits with a sprig of leaves in her right hand, and a spear in her left; whereas Britannia carries a trident. This obliteration of the King's head was a monstrous piece of impudence: a direct insult to the Crown. It went even further than that, however, for in place of the Houses of Parliament, which used to appear on the Treasury Notes, there now appeared a picture of the old (1734) Bank of England. Parliament replaced by the Bank! It was symbolic of what had actually happened. In an article headed "Green and Brown" the *Daily Mail* said:—

"The new green £1 and brown 10s. notes have a curiously foreign aspect. They look as if they had

been designed and printed in the United States . . . The old Treasury notes were not particularly artistic productions, but they did not produce this impression of foreign provenance. The King's head and the design of St. George killing the dragon stood out plainly on the front, and the Houses of Parliament equally plainly on the back . . ."

And the *Morning Post* was just as critical:—

"The first impression on the mind is that the design—perhaps in token of our debt to America—has been modeled on that of the Greenback, and that if the denomination had been expressed in dollars instead of in sterling, the effect would have been more complete."

Governor Norman must have known that the Bank Notes and Currency Bill would become law without a hitch, for while it was being debated he was on a visit to France to confer in secret with Governor Benjamin Strong of the U.S.A. On July 2, 1928, the Act received the Royal assent. "Off with his head!" said the Currency Dictator. ("Well, if I must, I must," came the echo from the pages of *Alice in Wonderland*.) And this is what Mr. Vincent Vickers, Bank of England director, 1910—19, has to say about it:—

"It was not Mr. Winston Churchill, as Chancellor of the Exchequer, who initiated or was to blame for our return to the Gold Standard in 1925; it was not Mr. Baldwin who decided the terms of the Bank Notes and Currency Act . . . 1928; nor later on was it Lord Snowden who personally pigeon-holed that request for a Royal Commission on monetary policy and who substituted so soon afterwards the Macmillan Com-

mittee which seemed to some so redolent of Threadneedle Street.

"Since 1919 the monetary policy of the Government has been the policy of the Bank of England, and the policy of the Bank of England has been the policy of Mr. Montagu Norman."

Then, for the first time in its history, it seems, the Bank of England had a heckler present at its half-yearly meeting on September 20, 1928. He was Mr. E. T. Hargreaves, a stockholder. He addressed the meeting and drew attention to the great increase in the Bank's reserves—those "inner reserves concealed in their published balance," as the *Times Trade Supplement* put it—and suggested that "it would be an advantage if the Governor would deliver a reasoned statement" on this and other matters concerning the Bank's policy, "in the same manner as the chairmen of the large joint stock banks." Mr. Hargreaves also suggested that the constitution of the Board was "archaic," and that representatives of the Big Five might with advantage be called in to strengthen the Board.

In reply, Governor Norman declined to be drawn into a discussion of the criticisms, and expressed the view that they could "more conveniently be discussed in private."

Off with his head! Never explain, never apologize!

UNDERWOOD & UNDERWOOD

NORMAN IN 1937

A photographer out to take rowing pictures caught the famous camera dodger on Chiswick Bridge, Middlesex.

CHAPTER TWENTY

"I WISH THEY WOULD LET ME STAY HERE"

WE SHALL get our presentation, our projection, or build-up, of Montagu Norman badly out of proportion if we see him all the time as a sinister shadow behind Chancellors of the Exchequer, or as a masked man-with-a-load-of-mischief flitting hither and thither over the Continent and across the seven seas. . . . We must take care to bring him into focus as something more human, more familiar. We must see him now, as a bachelor of fifty-seven, in his house at Campden Hill, surrounded by beautiful things—paintings, paneling, books, antiques, furniture, pieces of old china, inlays, sculpture.

We must see that bearded figure strolling across the wide lawns of Thorpe Lodge, peering into the sunken pond lined with blue-green tiles; then glancing up at the green-tiled face of the clock over the garage that was once a stable. He would hate you to be able to see him there . . . Thorpe Lodge is his sanctuary, his hermit's retreat. The house itself is two centuries old, a somber-looking brick-built place, with rooms paneled in woods of his own choosing, set in brilliant green lawns, closely mown, and trimmed as trimly as his seventeenth century beard. And here there are bowered walks, brick paths,

and quiet nooks where birds nest and sing. It is a secluded spot, this garden, in spite of being close to a reservoir and houses of a cruder, uglier age.

Norman loves his garden and likes to eat there in the summer. It is rather like an old rectory garden hidden in some out-of-the-way parish, where Time has stopped, or goes only at snail's pace. Before it was lived in by the Bank Governor the house belonged to an animal-painter. The room in which the "artist's models"—the animals—were kept is now Norman's music-room. For "The Captain" is intensely fond of music. Can this gentle-looking recluse with the tapering fingers of a musician be the Despot of Threadneedle Street? . . . And who is that ancient figure who goes so quietly about her work? That is the old family servant who has looked after "The Captain" for many years. What a picture it is: the slender, cultured banker-off-duty, and the old retainer. There is something here that reminds us of R.L.S. and his "dear nurse" Alice Cunningham. Sometimes he will wander about the garden with a beret aslant his high-domed forehead, and then he looks like a painter or a sculptor from the Quartier Latin.

A Garden is a lovesome thing, God wot! . . .

But, as you might expect, he carries with him a load of sadness. It is the sadness of the poet. The poet lost in a World of Empty Debt: the vast piling up of the Ciphers of Nothing, created out-of-nothing. The dreamer-philosopher chained to blocks of gold in a Midas-nightmare from which he can never escape, never awaken into the joyous wonder-world of the child, the saint, the holy fool.

On one occasion he stood looking through the window at the loveliness of his Thorpe Lodge garden.

"I wish they would let me stay here," he said.

"Surely you can, if you wish to," said the old maid-servant.

"No, it's impossible," he replied, and left at once for the Bank. Work—Duty's call. He who would be Pope (says the old proverb) must think of nothing else. Even a Montagu Norman cannot stay to watch the honey-gathering bumble-bee alight on the underlip of a snapdragon flower. "They" will not let him. Who are "they"? They are the other international bankers, the Chancellors of the Exchequer, the Prime Ministers, the heads of financial houses, the Deputy Governor, the Court of Directors, the members of the Stock Exchange, the Money Market speculators, the Bank of England Staff—yes, even the scarlet-and-gold, crimson-and-black, cock-hatted beadle standing on the steps. "They" are The System—the whole financial network: the people who carry out the Governor's instructions. You cannot be Bank Governor and not bother to govern. Not nowadays, anyhow. If bank clerks must hurry off to work, so must Bank Governors. There is little time to linger in the garden. And behind the flesh-and-blood reality of The System, there is the compelling phantom-background of the past. There is the ghost of Grand-father George Warde . . . back and back to Sir John Houblon, the first Governor: a solid, square-faced ghost —a Dutch Uncle driving him to get the Tube for the Bank and attend to his duties, lest the "whole fabric" of the world's financial structure fall asunder. Tradition holds fast.

"I wish they would let me stay here—and play. . . ." Do you know who is speaking? It is the playful "Professor." It is the Poet who knows that the Philosopher is a fool. It is the Child who sees no more "value" in a gold coin than in toy-cupboard money made of cardboard covered with gilt paper. It is the Visionary who sees the final futility of his own vision: who, in sheer logic, is forced to sing with Omar in the Garden of the Rose—

Dreaming when Dawn's Left Hand was in the sky
I heard a Voice within the Tavern cry,
"Awake, my Little Ones, and fill the Cup
Before Life's Liquor in its Cup be dry."

His attitude about the house was described by one of his Thorpe Lodge staff as that of "long-suffering martyrdom." It is a revealing phrase. The man is imprisoned in his own stronghold. And yet, the imprisonment, like the stronghold itself, is "more psychological than real." How hard it is to break free from the Unreal . . . the Numerology of Finance, the Phantasmagoria of Fictitious Debt-calculations.

There are no menservants at Thorpe Lodge. There is no "Jeeves." The household is extremely well organized, but has its odd moments, as, for instance, when "The Captain" assembles the entire staff and addresses them upon current affairs. That is the kind of thing one expected from the ex-Kaiser at Doorn. Just a touch of oddity now and then . . . That polished block made up of many specimens of rare wood. A very special toy. And not just the beauty of its graining but the *rarity* of the timbers used. Something to be kept, hoarded—like gold.

The household staff are well treated, although the wages paid are moderate. Once, when one of the maids fell sick, a specialist was brought over from the Continent at the Governor's expense. When traveling he invariably books first-class accommodation for his personal staff. "Although," says Dr. Einzig, "he is subject to the influences of his artistic temperament, and his opponents at conferences have often good reason to complain of the way he treats them, most of the time he is friendly to those working with him and under him, and he has a kind word for everybody."

We can see him sitting in the shade of some blossom-hung bower at Thorpe Lodge, with the summer sunlight dappling the page of the open book on his knee—*Captains Courageous,* is it, or *The Day's Work?* The large green clock on the dining-room mantelpiece strikes the hour. Time—he must go. He cannot move outside the garden, now, without being recognized, stalked by camera-men and newspaper reporters, watched by everyone. He hates that. He likes to move about unnoticed and unknown. The whisper—"Look, there goes Montagu Norman!" makes him shudder. It brings out all the prankish cunning of "Professor Clarence Skinner." You can almost hear that quasi-comic character saying, "I'll give 'em the slip—you watch!" . . . And then he sighs. "If only they would let me stay here," he murmurs. Instantly the Bank Governor puts the bearing-rein on the "Professor." Come on! No prancing sideways! There's work to be done. He claps his soft hat on his head and strides out.

Practically every photograph shows him hatted. He dislikes being seen in public without a hat. It is said

that he has a kind of half-fear that some professional or amateur phrenologist will be able to "read his bumps." There may be no truth in that, but the "bumps" are certainly of special interest to the phrenologist. Ideality, Combativeness, Secretiveness, appear to be the three chief characteristics. With Aggressive Energy and Combativeness rather over-developed. In many ways it is a fine head. He has been painted full-length by his friend Augustus John, and many of John's pictures have been acquired by Norman for the Bank of England. In the Governor's Court at the Bank is a portrait of Norman by A. K. Lawrence. Another portrait was painted by de Laszlo, and was hung in the French Gallery in 1923.

Back from the Bank, he may be able to snatch half an hour at home. Perhaps he has time to glance through a copy of *Punch*. Towards the middle of December, 1928, he would have found a cartoon in that journal showing the Old Lady of Threadneedle Street in the middle of the road. A kindly policeman is telling her to hurry along—she is holding up the traffic. The traffic is labeled "trade," "employment," and so on. That cartoon was a gentle reminder of the general feeling at that time amongst business men. They felt that the deflationary policy had gone far enough, and that some easement of credit restriction was essential. Norman took no notice. He is a born despot. His dream must be realized, come what may.

His friend Benjamin Strong of the Federal Reserve Board had lately died. Irving Fisher remarked that Strong was the chief figure in "bringing into central banking, even if quietly, the idea of stabilization through direct control." Sir Drummond Fraser, who, in 1924,

had declared that Governor Norman "must be the autocrat who dictates" financial terms to the Government, now said of Strong:

> "His work since then in his interchangeable visits with Mr. Norman, Governor, Bank of England, is so well known, and so generally appreciated, that there is no need for me to more than mention it here. It is interesting to note that their activities have been largely responsible during the last five years for over thirty countries having linked their currencies to a gold basis."

Gold . . . always Gold. What had really happened about the gold? Owing to the large imports of gold into the United States from 1920 to 1924, that country would have been in danger of a huge credit inflation, if the former policy of the central banks had been followed by the Federal Reserve System. Instead, the buying and selling of Government securities in the open market was regulated so that gold was drawn into the reserves of the Federal Reserve banks by selling securities, and held by the banks in place of interest-earning assets. The gold was thus deprived of its credit-making powers. In a word: gold was found to be—*useless*. It had to be "regulated" in such a way as to hide it away, and forget about it. That is what actually happened; but the process involved a corresponding and equally artificial "contraction" of purchasing-power in the pockets of the ordinary consumer.

The world moved by jerks and spasms of boom-and-slump towards the Big Slump. Unemployment increased steadily.

In the garden at Thorpe Lodge, springtime burst into

blossom. The flowers take their supply of "gold" direct from the sun. How strange that human beings cannot do the same?

"I wish they would let me stay here . . ."

CHAPTER TWENTY-ONE

"MR. COLLET" SAILS FOR HOME

WORLD affairs drag us from the lovely garden, the wide lawns, and sunken pond. Already it had become clear that a world-bankers' Anglo-American Financial Pact had been concluded. Mr. McKenna had discreetly indicated as much in his address to the Midland Bank shareholders early in 1928. Towards the end of that year Viscount Castlerosse, writing in a Sunday paper under the heading, "A Londoner's Log," rubbed it in:—

"Now let us turn to those we can congratulate.

"The Court and directors of the Bank of England have agreed to recommend to the proprietors in April next that the Right Hon. Montagu Collet Norman be re-elected Governor.

"Mr. Norman will then have held that post for a decade, and he can look back on the period of his office and say without fear of contradiction that during his term of governorship America has experienced ten years of unexampled prosperity."

Sharp-pointed as it was, that winged word-dart was lost upon most readers. It hit the bull's-eye and fell "dead." Prosperity in Britain was still, for some reason, "just round the corner." But American prosperity did not interest most Britishers. Then came

an announcement in *John Bull* that Montagu Norman would not be re-elected Governor of the Bank, and that he would be replaced by Mr. (now Sir) Ernest Musgrave Harvey, the Deputy Governor. This piece of news was confirmed elsewhere. Viscount Castlerosse in his gossip-column suggested that Mr. Norman needed a rest. The *Evening News* prophesied that Sir Josiah Stamp might one day become Bank Governor. He was until his death a Bank of England Director. All these hints, suggestions and prophecies were wrong. The Despot of Threadneedle Street had not decided not to be re-elected. He was in the very midst of building his dream into a reality.

At the end of January, 1929, he appeared in New York, conferring with Mr. George Harrison, the new Governor of the Federal Reserve Bank. The *Evening Standard* City Notes for February 7th, said:—

> "Obviously Mr. Norman's visit to New York has revealed that just now the authorities there are directing their policy purely upon the facts of the internal situation. The result is that New York money rates are to be kept up and credit restricted. Hence our Bank Rate has had to be increased."

But, of course, the result was "more psychological than real"? The results for Britain were widespread social-economic misery and ever-increasing unemployment. The whole situation was fabulously topsy-turvy. The ordinary observer who had been taught that gold is the ultimate basis of credit—i.e., that the more gold a bank gets the more credit it can lend—was now utterly mystified as to why the U.S.A. Federal Authorities had been scooping in gold at a time when they intended, not

to expand credit, but to contract it. The whole monetary position of the so-called civilized world was, and is, as mad as a Mad Tea Party. ("Have some gold?" said the Hatter. "I don't see any," said Alice. "There isn't any," said the Hatter, "because there's too much." "Too little, you mean," said the Dormouse . . .)

But there was no time to consider how mad it was. If you are a central banker you have to get your ticket—stick it in your hatband—and scurry off like the White Rabbit—"Oh dear! Oh dear! I shall be too late!" . . . For in this strange world of financial fantasy, there may be a sudden "shrinkage of gold," or gold may take fright and take "flight"! Or credits—which are nothing more than book-entry figures—may freeze, and then the work and play of mankind is held up by "frozen credits"! Or gold may be "sterilized," like milk or surgical instruments—or be "immobilized," like an interned army! Indeed, there is no end to the Lewis Carroll nonsense. And if the results were not so damnably psychologically real and tragic, the whole fantasia would be one long hoot of laughter. But semi-starvation, misery, and war follow in the footsteps of the international bankers. Debt and Death go hand in hand. And where there is hunger and the fear of war, there is no laughter. Bad housing, malnutrition, ill-health . . . civil unrest, strikes, lock-outs, all the antagonisms we see today, are the inevitable outcome of a financial system based upon fairy-tale magic and the unreality of debt-numerology.

Where was Norman now? New York—Washington—Montreal? Supposedly "on holiday" in the United States

and Canada in July, 1929. But what a queer kind of "holiday" it was. A busman's holiday. The *Journal of Commerce,* August 2, 1929, says:—

> "Governor Norman is said to have spent most of his visit (in America) at Bar Harbor, although his activities were shrouded in the greatest mystery."

Always the same phrases—"shrouded"—"mystery." . . . At various times it was reported that he was in Washington, was visited by members of the Federal Reserve Board, and was in touch with representatives of the State Department. Bankers in touch with the situation said that he had been all along concerned with two important questions: the weakened gold position of the Bank of England, and the discussion of details connected with the formation of the Bank for International Settlements—the World Central Bank.

The same journal continued:—

> "Only lately, however, has it appeared how closely the two problems were intertwined, for the French have recently taken some £5,000,000 in gold from the Bank of England when its reserve was below the unofficial minimum of £150,000,000 . . . The ultimate aim of the French policy is believed to be to coerce the British into a more friendly attitude towards French plans for staying in the Rhine zone . . ."

Yet I have heard bankers, financiers, and their tame economists maintain that financial operations have "nothing whatever to do with politics," and have "no effect upon political issues"! Staying in the Rhine zone was a purely political matter. So was an attempt to "coerce" the British Government in regard to such a matter. We see, therefore, how a drain-away of gold

by the banking system can be used to enforce a political policy. The same journal continues:—

> "By securing promise of aid and support for his plans here Mr. Montagu Norman has vastly strengthened the position of the British, who, standing alone, are actually at the mercy of the Bank of France, in view of the fact that the latter has large credits in London."

And what was the net result of this "strengthened position"? Here is a statement which was issued with all the authority of the National City Bank of New York in their October, 1929, official review:—

> "Wall Street has obtained an increased supply of credit by putting all the rest of the world on short rations."

That is plain enough, and it is from a responsible bankers' publication. On August 7th, Montagu (Poverty-is-good-for-you) Norman traveled back from the United States under the name of "Mr. Collet." Why? . . . It is understandable. A man who has helped to put his own country and the rest of the world "on short rations," at a time when they were already suffering acute unemployment, might well shrink from booking his passage in his own name. And so it was a "Mr. Collet" who sailed for a Britain that had been sunk in artificial poverty.

On November 5, 1929, the Macmillan Committee on Finance and Industry was appointed.

CHAPTER TWENTY-TWO

BOUQUETS INSTEAD OF BRICKBATS

AT THE half-yearly meeting of the Court of the Bank of England, held on March 21, 1930, Governor Norman made a speech that, for the first time, traveled outside his technical review of the Bank's business. The same Mr. E. T. Hargreaves who, on September 20, 1928, drew attention to the great increase in the Bank's reserves, and suggested that the Governor should "deliver a reasoned statement" on that and other matters, and also went so far as to suggest that the constitution of the Board was "archaic" (see Chapter Nineteen), now rose to his feet and proposed a rather peculiarly worded "vote of thanks." This is what he said:—

"Everyone present would like to feel that there is a declared expression of thanks from the stockholders of the Bank for the great services which the Governor, the Deputy-Governor, and the other members of the Court have rendered to the proprietors during the year under review. (Hear, hear.) I do not think it possible that the business of the country could have been run in the way in which it has been run by the Governor and his assistants unless a very great amount of care and trouble had been taken in the matter. They hold the hegemony

so far as this country is concerned in finance, and, I think I may say, considering the way in which we are regarded in foreign countries, that they also hold the hegemony of the world, and that is largely due to the Governor for the time, care, and attention he has given to the business of the Bank, and also to his very able Deputy-Governor and the Court who assisted him."

Thereupon, a Mr. E. M. Rodocanachi stood up and seconded that resolution. He said:—

"I am glad to hear it because so many of the Bank meetings have gone by without the proprietors being able adequately to thank the Governor for his wonderful work, and the work the Bank has done. I hope that the Chancellor of the Exchequer will take advice from him in the same way as, years ago, his predecessor used to consult Lord Rothschild at New Court. As in the olden days, City opinion was consulted on the Budget, so I hope that the Chancellor of the Exchequer will consult the Governor and other members of the Court."

Governor Norman, in reply, said:—

"I am sure my colleagues will agree with me that none of us expected any such kindly remarks as have been made on the one hand by Mr. Hargreaves and on the other by Mr. Rodocanachi. We are not accustomed to our labors being recognized in such kindly and encouraging words. For myself, it is quite a new experience. I am more or less accustomed to brickbats, but I am not accustomed to bouquets. (Laughter.)

"As to any particular remarks that have been made,"

continued the Governor, "I was glad to note what Mr. Hargreaves said about hegemonies in one place or another. I believe it is largely true so far as overseas are concerned, and if it is true, it is largely the result of the work which the Bank devoted first of all to the stabilization of Europe some years ago, and, secondly, to the establishment of those relations between Central Banks which were originally advocated at Genoa and in a large manner have led up to what is called the Bank for International Settlements. Therefore, I agree with Mr. Hargreaves and rejoice at that gentleman's expectation that it will continue. The benefit of one is the benefit of all. I like to hope, too, that we may expect, and see, during the next period of ten years, a similar hegemony in this country in which the Bank of England may play a not inadequate part. I am less in agreement, if I may say so, with Mr. Rodocanachi. I recognize Mr. Rodocanachi's kindly heart and his kind intentions, but when he wishes to impose on me fiscal duties in addition to those financial burdens which my colleagues and I try to bear, I must say it is too much."

Mr. Rodocanachi: "Advice, sir."

Governor Norman: "I am afraid not even advice."

The Governor could not undertake even to give "advice" to the Chancellor of the Exchequer! Well, well, well. . . . The Chancellor of the Exchequer at this time (March, 1930), was the Rt. Hon. Lord Snowden. And what was it Lord Snowden wrote in his memoirs?—

"The Chancellor of the Exchequer sees much of the Governor. It would perhaps be more correct to say

that the Governor sees much of the Chancellor of the Exchequer."

Mr. Rodocanachi did not, it seems, know that. But Governor Norman must have known. There could be no possible reason for Snowden to state that "the Governor sees much of the Chancellor" if, indeed, it were not so. And if, when the Governor and the Chancellor meet, there is no "advice" forthcoming—why on earth do they meet at all? Is it just for a friendly chat about huntin', fishin', and shootin'? Hopeless. Norman does none of those things. Golf? He does not play golf. A chat about old china, antiques, and rare woods? But, as a matter of fact, Norman is not given to friendly chats with anyone.

The whole thing was instinctive protection. Mr. Rodocanachi had touched a nerve, quite without knowing it, and the reaction was automatic. In reality, as is well known, Norman has always taken upon himself "fiscal duties" as well as those "financial burdens" that are, no doubt, heavy and troublesome to the last degree. And when he said: "I am afraid not even advice," he was retracting as automatically as a snail drawing in its horns. The actual relationship between the Governor of the Bank and the Chancellor(s) of the Exchequer must not be known. It must be kept secret.

It is, however, the word "hegemony" that should be noted. Two statements were made. The Governor, Deputy-Governor, and Court of Directors were said to "hold the hegemony" in finance, so far as this country was concerned. And again, "they also hold the hegemony of the world." In reply, Norman did not

deny that such financial hegemony was his fixed objective, his chief aim, the whole reason for his "crusade" of "stabilization." The word *hegemony* means: leadership; preponderant influence or authority;—usually applied to the relation of a government or state to its neighbors or confederates. "I was glad to note," said Norman, "what was said about hegemonies in one place or another . . ."

Norman's aim was, and is, that the Hegemony of World Finance should reign supreme over everyone, everywhere, as one whole super-national control-mechanism. In this connection it is interesting to hear what Grand Old Man Gladstone had to say:—

"From the time I took office as Chancellor of the Exchequer (1852) I began to learn that the State held, in the face of the Bank and the City, an essentially false position as to finance. . . . The hinge of the whole situation was this: the Government itself was not to be a substantive power in matters of finance, but was to leave the Money Power supreme and unquestioned. In the conditions of that situation I was reluctant to acquiesce, and I began to fight against it by financial self-assertion from the first. . . . I was tenaciously opposed by the Governor and Deputy-Governor of the Bank, who had seats in Parliament, and I had the City for an antagonist on almost every occasion."—*(Morley's "Life of Gladstone.")*

It would astound the G.O.M. to see the strides that the Money Power has made in building up and entrenching its position since his day. The method remains the same, although nowadays it is all done quietly, behind the scenes, as between the Governor

and the Chancellor of the Exchequer, and other "high authorities."

Five days after Norman's brickbats-and-bouquets speech he was called to give evidence before the Macmillan Committee.

CHAPTER TWENTY-THREE

IN A SENSE, "YES"—AND THEN AGAIN, "NO"

THE Macmillan Committee was appointed "to inquire into banking, finance, and credit, paying regard to the factors, both internal and international, which govern their operation, and to make recommendations calculated to enable these agencies to promote the development of trade and commerce and the employment of labor."

The Committee was composed of the following:—

The Rt. Hon. Lord Macmillan *(Chairman)*—Lawyer.

Mr. Ernest Bevin—Trade Union Official.

The Rt. Hon. Lord Bradbury—Treasury Official; President, British Bankers' Association.

The Hon. R. H. Brand—Managing Director, Lazard Bros., merchant bankers; director, Lloyds Bank; Vice-President, International Financial Conference, League of Nations, 1920; member Expert Committee advising German Government on stabilization of the mark, 1922.

Professor Theodor Emanuel Gugenheim Gregory—bankers' (tame) orthodox economist.

Mr. J. M. Keynes—"brilliant" orthodox economist; India Office, 1906—8; Treasury, 1915—19; principal Representative of Treasury, Paris Peace Conference, 1919.

Mr. Lennox B. Lee—Chairman, Calico Printers' Association; member Advisory Council, Board of Trade; President, Federation of British Industries, 1929.

Mr. Cecil Lubbock—Director, Bank of England.

The Rt. Hon. Reginald McKenna—Chairman, Midland Bank since 1919; Chancellor of Exchequer, 1915—16.

Mr. J. T. Walton Newbold—Fabian Society, 1908; I.L.P., 1910; Plebs League, 1917; left I.L.P. to join Communist Party, 1921; member Executive, Labor Research Department, 1922—26; member Executive Communist Party, and Communist International, 1922—23; resigned from Communist Party and International, 1924; Labor Party candidate (Epping), May, 1929.

Sir Walter Raine—Coal exporter; Ex-President, Association, British Chambers of Commerce; Ex-Chairman Coal Exporters' Federation of Great Britain.

Mr. J. Frater Taylor—Associated with various industrial undertakings in England, India, Canada, U.S.A.; Director, International Power and Paper Co., Newfoundland; Director, Canadian and Foreign Investors Ltd.

Mr. A. A. G. Tulloch—

Sir Frederick Leith-Ross—Entered Treasury, 1909; British representative on Finance Board, Reparation Commission, 1920—25; Deputy Controller of Finance, H.M. Treasury, 1925—32; War Debts Mission to Washington, 1933; negotiated Financial Agreements with (Nazi) Germany, 1934, and with (Fascist) Italy, 1935; Financial Mission to China, 1935; Member Economic Committee, League of Nations since 1932.

Mr. G. Ismay—*(Secretary)*—

Montagu Norman was called before this Committee, March 26, 1930. In addressing the Bank Governor the Chairman said:—

"This morning we should much appreciate an account of your own survey of the position in which we find ourselves just now. We all recognize the exceedingly grave position in which commerce and industry find themselves. The papers this morning remind us of the steadily growing volume of unemployment and the difficulties which industry and commerce are experiencing in re-establishing themselves under post-War conditions. We realize that the relation of finance to these problems must necessarily be intimate, and we appreciate that no one is better able than you are to assist us in ascertaining the true relations between finance and industry and the nature of the problems which arise. I think that in the first place we would like to hear from you a statement as to what we may call the financial presuppositions of the position as you conceive them to be just now; how far in your opinion finance has to do with the present emergency; how far it is possible for finance to assist in the present emergency; how far the existing regime has proved adequate under the strain and stress to which it has been exposed; and how far it may be necessary to develop or alter the policies that have hitherto been pursued. . . ."

Governor Norman then began a long, rambling, and very poorly constructed statement in which he attempted to give "some sort of picture as to what over the last few years I have been trying to do because just the same

as all things have a background"—(*what* a sentence!—what Etonian slovenliness in wordcraft . . .)—"so I—by which I mean the Bank which I represent—have a background. If I look back at a certain number of years during which time I have been working at the Bank, without attempting any exact chronological review"—(why not?—"Never explain, never apologize" . . .)—"I see that, running throughout the whole of that period"—(what period?—which years?)—"we have had to deal with certain special problems in addition to normal questions. There was, for instance, the troublesome question of perpetual maturities of Debt occurring practically from year to year and giving us no respite. There has been a more or less continuous trouble, internal problems of that kind. But there are two other things externally to which over those years I have really devoted the greater part of my time." Now we come to Norman's Dream:—

"The first of those—long, troublesome, and in some ways disappointing—was the stabilization of the European countries which had lost what they had possessed before the War." Now what could the European countries "lose" that Governor Norman and his Bank could restore? He certainly could not restore flesh-and-blood blown to bloody shreds, torn, broken, gashed and pulped in pools of mud on the Western Front? Even gold, the magical metal, will not bring the dead to life, nor make whole those ghastly wounds. He could not "stabilize" cathedrals, farms, towns, hamlets, woods, and fields smashed and bashed by shell-fire. He could not restore crumpled and

crippled productive machinery—engines, dynamos, lathes, drills, boilers, furnaces, turbines, cranes . . . He is neither a master of magical resurrection, a skilled healer of shattered limbs, a builder, nor an engineer. What, exactly, could he do to help those European countries which had lost what they had possessed before the War? Did the members of the Macmillan Committee ask him? Of course not. The vague ramblings —"long, troublesome, and disappointing"—especially the word "stabilization," hypnotized them. He was speaking their own financial jargon. He went on:—

"The second thing was in many ways more difficult, and to some extent has been less achieved, but is in process thereof—" (who but a "pedantic" would use such words: "in process thereof"?)—"that was to bring about co-operation among the Central Banks of Europe and the world on the sort of lines which were originally sketched at Genoa. The latter followed the former. The second was difficult; many personal questions—" (all undefined)—"have arisen and still arise in connection with it, but, after all, in my view a great deal has been achieved by the work that has been done in one way and another, by one person and another. . . ." (All vague, muddled, hesitational phrases.)

"It was not," Norman continued, "always possible to carry it through with the assistance of the League of Nations as at one time one had hoped would be the case, but by and large a great deal has been done and the so-called B.I.S. (Bank for International Settlements) which is about to be set up is in many ways the climax

of our efforts. These two endeavors have been to that extent accomplished. . . ."

There followed another extraordinarily drifting sentence:—

"Nevertheless, owing to the special difficulties and uncertainties in which industry has been, and I think in many ways still is, and having accomplished, so far as one could, the two external operations which I have described to you, we turned to industry, and, unusual as it may be, we have devoted during the last year or so and are still devoting efforts to an attempted study of industry, mainly the heavy basic industries of this country—" (pause for breath)—"I do not know whether, technically speaking, we were right or, technically speaking, we were wrong to do such a thing, but I do know that the situation in industry appeared to be such that if our action was theoretically wrong it was in the circumstances a trifling sin that we committed and well worth doing, and I do not regret for one moment having attempted to become interested in this subject—" (What is all this rigmarole about? In a moment we shall hear.)—

"To put it in a nutshell, the information which I have received—" (from what source?—what information?)—"leads me to believe and hope that the salvation of industry in this country, without which commerce and finance cannot long, or indefinitely, continue, lies in the process of rationalization, as it is called, which I am not going to attempt to define, which has been defined in many varying ways, but to which I am a strong adherent, and it is towards the goal of rationalization, however it is precisely defined,

that I hope the Bank of England will contribute as much as it can—" (of what, exactly?)—"over the times to come. . . . Broadly speaking, I believe, if I may say so, that the salvation of industry in this country lies first of all in the process of rationalization, and that is to be achieved by the unity or unification or marriage of finance and industry. . . ."

Was there ever such a farrago of dangerous nonsense —of words that hide behind each other, of phrases that float this way and that, of "certain special problems" . . . "troublesome questions" . . . "long, troublesome, disappointing" . . . difficulties . . . "more or less achieved," by "one person or another," in "one way or another" . . . it may be so . . . but if it is . . . "I do not regret" . . . "believe" . . . "hope" . . . "salvation" . . . "rationalization" . . .

He declared himself "a strong adherent" to something that he would not even "attempt to define"—which had been "defined in many varying ways"—which means, of course, that it could not be defined at all! Something "more psychological than real"? Not at all. *Rationalization meant, in practice, the compulsory "squeezing out" and closing down of small factories and mills, so that the larger, heavily debt-burdened concerns might be "helped" by the Bank of England via the new industrial financing company.*

Governor Norman went on to explain in his wordy, roundabout way:—

"Now, I must say, if I may continue for a moment on this question of industry and our part in it, that just as it is no proper part of a Central Bank's business to investigate or have directly to handle industry as such,

so a year or so ago, having already made some short progress in the investigation of industry, we planned to form as a matter of convenience a small company in order to segregate these particular operations—" (which, remember, form "no proper part of a Central Bank's business")—"and it is through that company we have been endeavoring to deal with such of the difficult and wide questions—" (all unstated)—"which have arisen" —(why have they arisen?—"Never explain, never apologize")—"to which as yet little contribution has been made." His next words, however, show no signs of evasiveness. He said:—

"I wish to say right away, too, that although we did establish that small company in our crusade—" (the Crusader, eh?)—"for segregating such industrial investigations and activities as the nation might need—" (the "nation," mind you! Who is this organizing the "nation's needs" off his own bat, in the way that he thinks best?)—"so I looked upon that as merely a stepping stone, and I am now about to take another step in which I hope sooner or later we shall have your assistance and goodwill, Sir, to establish another company which will unite the City as a whole in showing a willingness for the time being and over a certain period of years—" (all unstated, undefined)—"to assist industry towards the goal of—" (can you guess?)—"rationalization."

The Despot of Threadneedle Street, indeed!—"I am now about to take another step." This revealed once again a psychological set-up alternating between a humble-pie, it's-all-so-very-troublesome-and-difficult (if I may say so) attitude, and sheer Eton impudence blundering

along towards a "goal" that could not be defined—but which led, in practice, to bringing British industry almost to a standstill.

Referring to Governor Norman's evidence before the Macmillan Committee regarding his decision in favor of the restoration of sterling to its old parity in 1925, Dr. Einzig, who appears to be something of an admirer of "Professor Skinner," writes:—

"Questioned about it by the Macmillan Committee only five or six years after the decision, he surpassed himself in evasiveness by answering that he could not remember the sequence of events."

Governor Norman's words were:—

"I have not the exact sequence of events very clearly in my mind; it was some years ago . . ."

And here are some of his other replies to questions put by members of the Committee:—

—"I think it is not our financial system which is the cause of our difficulties."

—"Broadly speaking, I do not think that the financial machine is at fault. I think, to use your expression, that industry has had a series of misfortunes, was it?"

Chairman—"Of course, industry is largely affected by the price level?"

—"I agree."

Chairman—"And one of the most amazing experiences through which we have been passing has been the fall, if I may use the journalistic word, the phenomenal fall in price levels?"

—"Yes."

Chairman—"Has not financial policy something to do with that?"

—"I believe practically nothing in so far as the most recent and heavy falls are concerned."

Mr. Bevin—"Suddenly (in 1925) the whole thing is upset . . . We are faced with rising unemployment, bitter disputes, and a new level of wages to be fixed, without notice, without consideration, without guide, without any indication as to what its object is. I ask you, Mr. Norman, if industry is placed in a position like that, whether or not you do not think the misfortune of the jam is absolutely inevitable?"

—"No, I do not, sir."

Mr. Newbold—"Why?"

—"So far as I can tell you—of course, this is a very technical matter which I——"

Mr. Bevin interrupted to point out that industry was "left ignorant of this secret operation" (the 1925 back-to-gold operation) and so, he said, "we get this sudden jam?" The Bank Governor replied:—

—"Action has to be sudden when it comes."

"Why?" asked Mr. Newbold, but Norman escaped having to answer that troublesome little word, because Mr. Bevin butted in again much too eagerly. (T.U. officials are often too eager and "angry" on such occasions.)

Another significant passage of arms took place when Mr. Keynes asked:—

—"If the amount of assets held by the Bank of England were reduced by £5,000,000, by how much would that reduce bank credit throughout the country?" To which Norman replied:—

—"I think your neighbor would tell you that best."

Rather a strange sort of ("Professor Skinner") reply? The neighbor was McKenna.

Mr. McKenna—"About £50,000,000—ten times the amount?"

Mr. Norman—"I do not know that that is necessarily so."

Queer? . . . Enigmatic? . . . Cryptic? . . . Isn't it clear that Governor Norman just quite plainly did not know? It would be clear enough to any competent psychologist.

Mr. Keynes—"You do not know?"

Mr. Norman—"Ten to one is an arbitrary reckoning based on the bankers' normal percentage of cash."

Mr. Keynes—"Would the curtailment of credit by £50,000,000 have no effect of any importance on industry?"

Mr. Norman—"I do not think it would; I would be surprised if it had much effect beyond the money market unless of course it had to be continued over an extended period."

Well, as it happened, it had been continued over an "extended period"—from 1920 to 1930. During the whole of that period, and up to and beyond the "financial crisis" of 1931, the policy of the Bank was one of systematic deflation: the "curtailment of credit."

Under examination by members of the Committee, Governor Norman maintained that the plight of industry, the "stickiness in respect of wages in this country," and the general economic deadlock, was not due to financial causes, but, as he said, to—"world causes."

World Causes. . . . More psychological than real? . . . Oh dear no. World Causes are really Real. It is

quite impossible for any intelligent mind to treat seriously the incredible terminological flapdoodle that always comes pouring out the moment a banker is asked questions about banking. As in 1810, so in 1930: the answers given "have become almost classical by their nonsense."

What did this Treasury Committee on Banking, Finance, and Credit matter? Governor Norman was, at that very moment, reaching what was "in many ways" the climax of his efforts. The Bank for International Settlements—the World Central Bank at Basle—was "about to be set up." It was not necessary to explain anything. British industry had to suffer. World Causes . . . and, anyhow, suffering is good for you. Throughout all this Mad-Hatter-White-Knight drift of thought, Norman was absolutely sincere. He could see no possible way out of it. He could not see how to organize (1) *an internal "costless" book-keeping money-ticket system within the British Isles, while, at the same time,* (2) *organizing an external import-export credit-system for dealing with foreign trade.* Mr. Bevin put a few pertinent questions on that very point; a point of the utmost importance to Britain and the world:—

Mr. Bevin—"Supposing, for instance, you have to stop your gold flowing out, and therefore restrict credit, is it not possible to have a conscious direction of credit under those circumstances to the home market?"

Mr. Norman—"And to maintain, as it were, two separate supplies of credit at different rates?"

Mr. Bevin—"Yes."

Mr. Norman—"I do not think so."

Mr. Bevin—"Let us assume that it could not be supplied at two different rates. Could the volume of home credit be maintained?"

Mr. Norman—"In some circumstances, yes."

Mr. Bevin—"Could that be reduced to any sort of method? . . . Is it possible to have, for instance, some direction through public bodies, municipalities, of the whole operation of credit, and therefore while you restrict one form of credit you maintain the volume of home credit to prevent the blow falling upon the workpeople?"

Mr. Norman—"I should say it is impossible. I can see no practical way in which that could be done."

Mr. Bevin—"Have you tried to think it out?"

Mr. Norman—"I have heard it discussed."

(He had heard it discussed . . . He had not thought it out.)

Later, Lord Macmillan put a very awkward question:—

Chairman—"It is, of course, the case that the volume of credit in this country is, to a very large extent, in your hands, is it not?"

Mr. Norman—"Yes, I think it is."

Further on, his lordship put another question:—

Chairman—"And again, speaking in the broadest terms, is it your view that the consequences of that internal restriction of credit, unfortunate as they may appear to be, are outweighed by the advantages of the maintenance of the international position?"

Mr. Norman—"Yes, there is very large benefit."

That is to say: there is "very large benefit" to British industry in having to suffer the consequences of internal

restriction of credit, "unfortunate as they may appear to be"! And that is not nonsense? It is sheer nonsense, following logically from the basic philosophy of Poverty-is-good-for-you. It is dangerous nonsense because it leads, inevitably, to war. Does Governor Norman know that? Of course not. He is a High Idealist. He is "doing good" to you—whether you like it or not. Teacher knows best.

Now listen to the wibble-wabble that took place when the Chairman of the Midland Bank said:—

Mr. McKenna—"You have restricted the quantity of credit by selling securities on balance in the first two months of this year. . . . Is that so?"

Mr. Norman—"I am not sure . . ."

Mr. McKenna—"You do not remember if you restricted credit?"

Mr. Norman—"I am not aware that credit was restricted."

Mr. McKenna—"I have the figures . . . Between February of last year and February of this year you sold many millions of securities?"

Mr. Norman—"Oh, yes."

Mr. McKenna—"And you reduced credit?"

Mr. Norman—"Yes."

Yet a moment before he said: "I am not aware that credit was restricted!" Can you beat it for shiftiness only equalled by the Goodwin Sands? And yet, make quite sure of this, there is no sort of conscious "shiftiness" in the make-up of Montagu Norman. That is what is so extraordinarily interesting to the psychologist —and so damnably dangerous to the community as a whole.

After two hours of cross-questioning by members of the Macmillan Committee, Norman stuck his hat on the back of his head, sighed, stuffed his hands in his pockets, and hurried away. Now for the things that really mattered—the B.I.S.—World Causes . . .

Isn't it wonderful how you can get away with a rigmarole of words that cannot be defined, and therefore have no exact meanings? It is all so "difficult," and, "to some extent," uncertain, and "troublesome," and "in some ways disappointing" . . .

The sunken pond, the bowered walks, the wide lawns . . .

"If only they would let me stay here . . ."

CHAPTER TWENTY-FOUR

"THE CLIMAX OF OUR EFFORTS"

NORMAN is credited, by some, with a sort of "second sight" as to what is taking place in the money markets of the world; a foreknowledge of what is likely to happen in financial circles in view of this or that factor or combination of circumstances. This gift of "insight" is supposed to have been revealed to his associates in the Bank soon after he took up the governorship. He is said to work by instinct, or intuition, and to pick men to work under him who have the ability to discover logical reasons to back up, or interpret, his instinctive "knowledge"; men with highly trained technical minds, adepts in the art of banking and finance, able to work out his much wider, vaguer, and more sweeping "intuitions."

It is no use brushing all that aside as mere semi-occultism. The man has a streak of, not creative genius, but tuned-in sensitivity. He has a "nose" for money-market movements, and is able, or is frequently able, to "feel the pulse" of the financial system. But then, of course, Zadkiel and Old Moore, and even the popular press horoscopists, are sometimes right—because their prognostications are so very vague. Wizard Norman's are equally vague. He works by hit-and-miss all the time,

and never admits a miss. Like all successful seers, magicians, and mediumistic wonderworkers, he believes in magic: the magic of financial numerology. That is his great strength. But he does not claim any special powers. He is meek and humble —and at the same time absolutely certain that the financial system is founded upon sound principles, and that his own actions are, at the time, absolutely correct. If they sometimes turn out to have been disastrous— well, that is due entirely, or for the most part, to other causes . . . unforeseen circumstances, misfortunes, difficulties and uncertainties, having nothing whatever to do with the financial system, as such, nor with his own haphazard operations. A thousand and one outside influences may turn up to interfere with his strange conjurations; conjurations that even he hardly comprehends with the intellect—and which sometimes "come off." At one moment he is groping his way amidst the gloom. He "sees" a gleam of light!—swiftly, and without a second's hesitation, he acts. The result is chaos? It may be. But the chaos that you notice was due to—well, World Causes . . .

He has sometimes been called the "magnificent amateur," and, indeed, he does tend to trade upon not knowing—upon being nothing more than an ordinary human being who is doing his level best in extremely difficult and troublesome circumstances—while, at the same time, he will brook no sort of criticism, no interference. His is just the type of personality that would have made a successful New Religion Leader: the Prophet Norman. He would have led "his people" towards the Promised Land, by sheer unreasoning abso-

lutism; and though they might find themselves lost in the wilderness and sunk in misery, they would still have believed in him, because he believes in himself. There is potent magic in that.

"There is something in his personality," writes Einzig, "which makes opposition to his will extremely difficult." The same writer says he was told by one of the Directors of the Bank that "on one occasion he went to the Court meeting with the determination of taking up a firm stand against the policy pursued by Mr. Norman on a certain matter, but in his presence his determination evaporated. A few words from the Governor were sufficient to disarm him. After the meeting he was furious with himself for having given in so easily, and decided to be on his guard next time. But on the next occasion he could not help doing the same. And this instance is by no means isolated. The occasions on which the Court of Directors definitely opposed and rejected anything suggested by Mr. Norman were very rare indeed."

Norman's technique in dealing with people is very different from that of his friend Dr. Hjalmar Schacht, dictator of the Reichsbank from 1923 to 1930. Schacht ruled by fear. Even the highest of the bank officials quaked in their shoes when they were summoned before him. Norman rules by quiet authority. He inspires a desire to collaborate. Although, as Einzig reports, "He is subject to the influences of his artistic temperament and his opponents at conferences have often good reason to complain of the way he treats them," his treatment of those working under him or co-operating with him, is, as a rule, friendly. A friendliness mounted

upon dignity; the dignity easy-going, but built out of complete imperturbability; and the imperturbability reinforced at every point by the knowledge that he has the power—gently but firmly—to make his will prevail. Those who fail to fall in with his plans can be quietly dropped. . . .

Such was the type of man who appeared before the Macmillan Committee. It was of no particular interest nor use to him. It merely wasted a few precious hours. Far more important conferences, from his point of view, were on foot. Important, because the World Crisis, due to World Causes, was already brewing in the cauldron of events. On May 1st, 1930, the central bankers gathered from many parts of the world at the National Bank of Belgium. They flitted from their several countries like a haggle of witches attending their Sabbath. These were the bankers from the countries participating in the issue of the loan provided for by the Young Plan and The Hague agreements.

Mr. McGarrah, president of the B.I.S., presided. Those present included M. Quesnay, general manager of the B.I.S.; Baron Brincard and M. Masson, of the Crédit Lyonnais, which was organizing the French portion of the loan issue in France. Mr. Thomas W. Lamont and Mr. Arthur Anderson, of Messrs. J. P. Morgan & Co., were there to see after things from the U.S.A. viewpoint. And——yes——MM. Wallenberg and Rydbeck, representing M. Ivar Kreuger, head of the Swedish Match Trust, were looking after their special interests. Here, also, were to be found Herr Fuchs, a director of the Reichsbank; Signor Beneduci, representing Italian banking groups; M. ter Meulen, of Messrs. Hope & Co.

(Holland); as well as MM. Bindschedler and Dreyfus, representing certain Swiss banks. There was also M. Morel, of the Basle Commercial Bank; M. Gunther, of the Swiss Union Financière; M. Fabri, of the Société Générale de Belgique; M. Thys, of the Banque de Bruxelles; and, of course—Montagu Collet Norman, of the Bank of England.

The Bankers' World Central Bank—"in many ways the climax of our efforts"—was in session. Not merely the "stabilization" of Europe, but World Hegemony, was in sight at last! Yes, it was "in process thereof." And what was this meeting all about? The Young Plan of 1930 revised the Dawes Plan of 1924; and the Dawes Plan revised the German reparations payments fixed by the London Conference of 1921 at 132 milliard marks to be paid by Germany in 37 years. The Young Plan reduced the yearly payments, and spread them over 59 years. The bankers had come to arrange the necessary loan. If you have no money, you cannot pay. Germany could not pay. So she had to be lent the money with which to pay. It was lent by those to whom it was owed! Neither Germany, nor any other country in the world, seemed to have learned the lesson: *that you cannot borrow yourself out of debt.* When Germany tried to pay in goods—coal, for instance—it hit the coal industry of Britain pretty badly. So that had to be eased off. The only thing to do was to lend "credit" to Germany—or else wipe off reparations as a bad debt.

The central bankers, assembled in Belgium, arranged things very nicely, as they thought, and all under the general "intuitional" direction of Montagu Norman.

In "helping" Germany into still further debt in order to enable her to pay reparations, the bankers were, all unbeknown to themselves, helping a man called Adolf Hitler to exploit the social-economic misery and confusion in Germany. The rise of "Hitlerism" and the Nazi Party in Germany was inevitable. The impossible debt-payment demands of the Treaty of Versailles created exactly the culture-bed of poverty-stricken exasperation amongst the middle, lower-middle, and Junker classes that enabled Hitler to build up his National-Socialist organization. From the outset he used the impositions of the Versailles Treaty as a weapon with which to rouse the German people from apathetic defeatism and to consolidate and regiment them under the Swastika. Do you understand, now, why I have said—"semi-starvation, misery, and war follow in the footsteps of the international bankers"; why I have said—"Debt and Death go hand in hand"?

Meantime, with the merging of five companies, with Montagu Norman in virtual control, the Bank of England had become what is called in the City "Street King." All this company promotion was to "help" British industry, already sunk in bank-loan debt, by arranging for "rationalized" firms to be supervised and financed with further loans. And there was not, apparently, one industrialist who grasped the fact that: *you cannot borrow yourself out of debt.* Not one demanded the right of industry as a whole to create the necessary credits ("out of nothing") on a debt-free basis. These Captains of Industry were not Captains of Finance. They did not know "what book-keeping can do when it has the backing of a rich community behind it."

If there is "no peace for the wicked," there is certainly none for a central banker. Belgium in May, South Africa in July. Governor Norman arrived in Cape Town, July 14th, 1930, on the *Arundel Castle*. As usual, he traveled under an alias, and (reported the Johannesburg *Star*) his visit was "entirely for a rest." All the same, the bankers were, at that time, a little nervy about South Africa. On the same boat with Norman, was M. A. Janssens, a Belgian banker, formally Belgian Minister of Finance, and the then head of the Société Nationale de Crédit et l'Industrie. He was also the Belgian representative on the League of Nations Reparations Committee. It was not for a talk with M. Janssens that "The Captain" had gone out to the Cape, nor, perhaps, "entirely for a rest."

A very strange thing had happened; had, in fact, been happening in South Africa for a long time. A very troublesome thing. The gold-mining industry was steadily on the decline, in spite of the fact that there were hundreds of millions of pounds' worth of the magical metal ready to be mined. All the world, held fast in the childish cult of gold-mythology, was eager to exchange goods for gold. *Yet the Reserve Bank of South Africa had been busy raising loans abroad!* Loans of what—gold? Oh, no. Book-entry credit-loans backed by "gold-myth"—while the actual metal lay in the unworked, or half-worked, mines of the platteland. The mines were equipped with plant, shafts, and labor-power. The low-grade ore of the Rand could, under the present financial system, only be mined profitably if it were mined in conjunction with richer ores that would bear

the overhead charges. So here was a gold-bearing country, fully equipped and organized for gold-mining, which, at a time when every government in the world was hankering after gold, and unwilling to exchange goods (if they could help it) for anything but gold, was unable to work its mines effectively because it had not got——what? Gold? . . . I really must leave you to answer; and in leaving you to puzzle it out, I may ask one other question: *When a bank buys gold, with what does it pay?*

No wonder "Professor Skinner" went to South Africa just then, for a very dreadful thing was about to happen to Gold within a year. And no doubt "Mr. Collet," by means of his "second sight," "sixth sense," or intuitional psychistry, "saw" it coming.

Things were increasingly hectic these days. Back from the Cape, a whole mare's-nest of troublesome financial problems cropped up; problems that rapidly developed the dormant character of "Professor Clarence Skinner." In November, Governor Norman found it necessary to meet Governor Harrison of the Federal Reserve Bank of New York. So he went on board the *Bremen* in which Harrison was sailing back to the States. Of course, the newspapermen were on Norman's trail. They noted that he boarded the ship at Southampton. Then came the "story." Having had his confabulation with the American banker, Norman had the *Bremen* specially stopped. A rope-ladder was let down, and the passengers saw the picturesque figure of the Bank of England Governor descending into the launch that was waiting to transfer him to the *Majestic,* which was returning from Cher-

bourg to Southampton. That created a "mystery-man" Press story throughout the world. Einzig writes:—

"Had Mr. Norman wished to announce his conversation to the world by all the modern devices of broadcasting and skywriting, he would not have succeeded in his object better than by that melodramatic scene which became known within a few hours in the remotest corners of the earth." And he goes on to say: "While his shyness of publicity has failed to protect him from a plethora of newspaper articles, it has produced an entirely unexpected and unwanted result, namely, it has got him the reputation of being a mystery man."

Saying that, of course, explains nothing. Governor Norman may suffer from extreme publicity shyness, and "The Captain" of Thorpe Lodge may sigh and wish "they" would let him stay in the quiet garden, or wander across the fields at Much Hadham, but "The Professor" is, as I have said, a puck-of-pook's-hill—he *enjoys* the quipsy game of hide-and-seek! While the Governor and the Hermit-of-Thorpe-Lodge are, and must be, acting a grown-up part, our friend "The Professor" is a child—a boy-scout, almost. He gets up to all sorts of tricks. He pushes behind the empty carriage. He sticks a ticket in the Governor's hatband. He loves secret meetings, stopping liners, climbing down rope-ladders. He delights in using pseudonyms: he would love to be called "Mr. Nobody." Embedded in the adult burdened with the Labors of Hercules there is this carefree imp-child, this elf-begotten changeling. And as the financial system plunged from "crisis" to

"crisis" during these post-war years, the prankishness of "The Professor" broke through again and again.

What a "jam" the international bankers had got themselves—and everyone else—into by the end of 1930! The American weekly *Time* reported, December 1st:—

". . . Last week the leading chieftains of international finance were plainly worried about gold and the kindred problems of German reparations, Allied War Debts. Within the fortnight Messrs. John Pierpont Morgan and Owen D. Young were in London, conferring with Rt. Hon. Montagu Collet Norman, Governor of the Bank of England. Tipped off that Mr. Young was in Paris last week 'incognito, and making a great effort to keep his whereabouts secret,' correspondents sought out Governor George Leslie Harrison, of the New York Federal Reserve Bank, at his Paris hotel, asked bluntly, 'Have you been conferring with Owen D. Young?' Said Governor Harrison frostily, 'I prefer not to say . . . I am simply talking over monetary affairs. . . . Of course, gold is always one of our problems.'

"Presently a report gained credence that the Old Lady of Threadneedle Street was seeking a credit abroad in the amount of one billion dollars. It was pointed out that short-term French credits in London last week almost equaled the gold reserve of the Bank of England, that the Old Lady must be ready to meet any sudden French demand, that she faces two major Empire monetary problems: (1) Chancellor of the Exchequer, Rt. Hon. Philip Snowden's reputed intent to convert a huge part of the $48,000,000,000 British 5 per cent.

War bonds now outstanding, paying off the holders with the proceeds of a loan floated on current 'cheap money' at a lower rate of interest, and (2) the imminent need in Australia for at least $200,000,000 of Dominion Government paper conversion.

"First reaction on 'change in London to the billion-dollar loan report was a stout assertion in many quarters, that 'except in war-time this country has never borrowed abroad. Any tampering with that tradition would be most unpopular.'

"It was then said that in order to meet this 'psychological issue,' Governor Montagu Norman, of the Bank of England, had in mind 'reciprocal credits.' That is, the Bank of France and the Bank of England would each extend to the other a credit of $1,000,000,000—though obviously only the Old Lady needed credit."

Put that in terms of goods instead of "credit," and you will see at once why it is Alice-in-wonderland and through-the-looking-glass nonsense:—

I need an apple to give you. You have two apples. Lend me one of your apples, and in exchange I will lend you an apple (that I have not got—because, if I had, I should not need to borrow one from you)! All of which is "more psychological than real"? It is typical of the financial fabulation that holds the mind of Norman—and of the whole world (except for a handful who have seen through the foolish and dangerous hoax)—in thrall to bank-debt numerology.

In a very few months the whole castle-built-of-cards came tumbling about Norman's ears . . . bringing with it untold economic misery for millions of human beings throughout the world.

CHAPTER TWENTY-FIVE

THE GREAT SLUMP

THE year 1931 had a wonderful beginning. The organ of the Labor Government came out with a shouting front-page headline—"World Bankers Attack Slump!" The City Editor of the *Daily Herald* wrote:—

"At last the mystery of Mr. Montagu Norman's dramatic cross-channel journey in the liner *Bremen* last November is revealed."

The World Bankers were attacking the Slump, with Crusader Norman leading the charge! World Causes had created the Slump—and now the World Bankers were after it hell-for-leather! Attaboys! . . . So *that* was the reason for Norman's "dramatic cross-channel journey"? Once aboard the *Bremen*—and the Slump is, in many ways, or very largely, de-slumped. Excellent! The Boom is on its way—or, to some extent, perhaps, we may expect it to make its appearance, in one way or another, at some time or other, in some place or another. The World Bankers did their best (in very troublesome circumstances), but that Slump "had them beat." It developed into the Great Slump, and the Great Slump became a Tornado! . . .

In February, 1931—the year of the World Economic Blizzard—Governor Norman was again called to give evidence before the Macmillan Committee. In

addressing him, the Chairman, Lord Macmillan, said:—

"I think, Mr. Governor, I might ask you this general question first of all. The Bank has, I have no doubt, realized the very difficult times through which industry is passing just now in this country, and it has been as an outcome of that realization that the Bank had addressed itself to the question of how finance, represented by banking interests and particularly by the Bank of England, could best assist in the process of recovery. Would that be a fair statement of the general outlook of the Bank?"

Mr. Norman—"I think that would explain the setting up of this company."

The company referred to was, of course, the Bankers' Industrial Development Company, whereby the Bank of England attempted to step in and "help" British large-scale industry by becoming a kind of super-bum-bailiff. The questions asked at the February 18th session of the Macmillan Committee were of no special consequence. The members of the Committee had long since lost themselves in a maze of technical details out of which they never found the way. Many of the questions related to the working of the B.I.D. and of the Securities Management Trust. Every answer revealed a point of view in which safe moneylending, rather than the production and distribution of Real Wealth, was the dominating factor. For example, Lord Macmillan said:—

Chairman—"The banks must study industry to some extent because they supply the sinews of war. How can they give useful help unless they have an authoritative means of obtaining information?"

Mr. Norman—"I should say that the banker requires to have some information—I do not know how he would get it—in order to know in what channels he could usefully, as well as safely, lend money."

And yet there are bankers and economists who maintain that banking has nothing to do with moneylending!

There was one question, in which the Governor was asked to "give a little historical survey of the existing situation out of which the Bank for International Settlements has grown," the answer to which is revealing. It reveals the particular outlook of Norman himself, and the way in which he sums up the personalities of certain other men:—

Mr. Norman—"I will do my best. The B.I.S., we have to remember first, was born out of the turmoil of The Hague, and in many ways that was a very unpropitious moment for its birth. Before that time there had been a considerable amount of communication and co-operation between the various Central Banks privately. The first ideas defined came, I think, from Genoa, and among other things that the Genoa resolutions proposed was that the Bank of England should summon a conference of Central Banks to do, in effect, what has now become the duty of the B.I.S. It always appeared impossible, during those years when we were waiting, to summon such a conference, for the excellent reason that the people would not come. They would not come, not because they were unwilling to co-operate, but because they were unwilling to face the publicity—" (significant?)—"and the questionings in their own countries which would arise if they attended any such conference, and all the attempts that I made to that end failed. But,

notwithstanding that fact, there were at that time outstanding individuals, as I believe, in the Central Banking world, who made co-operation possible in the earlier stages, and pre-eminent among them were Governor Strong and President Schacht. They were both dominant men, extremely interested from different sides —and very different they were—in co-operation. They were the most wholehearted supporters of the idea and did, in its early stages, I believe, a great deal in trying to bring about a common policy as between the various banks. Owing largely to their personalities, they were the two men who were outstanding in this respect, and they are no longer with us today."

The next sentence is, to those who understand the make-believe of modern banking, a masterpiece of impudent abracadabra:—

"But," continued the Governor, "the particular object, or one of the particular objects, of the B.I.S. was to get rid of the difficulty of reparation payments, and one of the successes which I think the B.I.S. has already achieved is that it has largely, if not entirely, taken reparations out of the political arena and put them into a back room in the B.I.S.; so that a question which for many years has been a difficult and at times rather acute question, and may possibly become so again, has really now dropped into comparative insignificance—nobody thinks about it and the payments have been largely mechanized."

Hip, hip, hooray!—and all clap handies! . . . But the strange thing is that in spite of putting the reparation-payment question into a back room, where nobody thought about it, and where payments were "largely

mechanized," it not only did in fact become "rather acute" again, but, within a very few months, had to be so completely "mechanized" as not to exist at all! For the reparation-payment question, together with the international war-debt problem, led to such a deadlock that the only thing for it was "suspension of payment" under the Hoover Moratorium of the autumn of 1931. That comes later, however.

Get your ticket—clap your hat a-jaunty—and off we go again! March 28th found "The Captain" once more in New York, doing his utmost to stave off the impending collapse brought on by attempting to keep the rules of an unworkable financial system. It was soon known that he was conferring with the Federal Reserve Bank. The United States Press was puzzled as to why he was there. What was "the big idea"? It was the proposal for a World Trade Bank, forming an international financial corporation under the auspices of the Bank for International Settlements. A further step towards World Hegemony.

It was a perfectly logical step, within the backwards-way-on "logic" of a financial system that turns Real Wealth into Fictitious Debt—and then insists upon payment, not in goods, but in cash that has already been spent! The Bank of England is a central bank, a bankers' banker. The B.I.S. at Basle was, and is, the bankers' bankers' banker. To help to tide things over the Great Slump the idea was to extend the same general principle to the financing of world-industry. Hence the need for a World Trade Bank. All firms ranked as financially first-class (in all the chief countries) would combine to subscribe the ordinary

capital of this international company. Only £5,000,000, so the Financial Editor of the *Manchester Guardian* declared, would be needed in the first place. He might just as well have said £500, because later on he mentioned that the public would be invited, on the strength of the first-class names, to put up £100,000,000 against debentures. Well, there it was: the latest dodge to dodge the inevitable results of a financial system working backwards.

"It's my own invention," said White Knight Norman. But it was utterly useless. American financial circles showed some "coolness" towards this scheme. They didn't want to be "bossed" by Norman and the Bank of England, anyhow. Then came another bombshell, another leakage of "state secrets" on the politico-financial front. Sydney A. Moseley wrote in *The Leader,* April 28th:—

"I hear on excellent authority that one of the important subjects discussed between Mr. Montagu Norman and Mr. Hoover during their recent meetings at the White House was the sale of some of the British West Indies to the United States, as a further set-off against the War Debt. You remember about two years ago there was a great outcry owing to premature leakage, and that put a stop to the secret conversations then in progress between London and Washington. I hope this disclosure will not have a similar effect."

Unemployment figures moved steadily upward. The economic strangulation of British industry forced them up. Mass "Hunger Marches" of many thousands of unemployed workers took place. Business dwindled. The Welsh and Northern coalfields were "derelict."

The Midland towns were "dead." Well-educated men tramped from door to door trying to make a living by selling silk stockings and vacuum-cleaners on the "easy payment" system. Task Work Centers for the unemployed were open. The Means Test was imposed. Every day, and month after month, the unemployed stood about outside the Labor Exchanges waiting to draw "the dole." Lancashire was financially bankrupt. The cotton industry stood idle. Farmers let their plowland go to grass. Necessary repairs to farm-houses, barns, gates, fences, hedges and ditches were neglected. They could not afford to employ labor. Industry and agriculture went into a steady decline. Industrialists and farmers could not keep going. "The cost was prohibitive." They had not the necessary money—credit-power. They were sunk in debt. The whole nation was in the hands of the banker-moneylenders. Malnutrition and ill-health amongst the children of the poorer classes was noted, and condemned, by the medical authorities. It was no use making Official Health Reports. The whole debt-structure of society was driving the peoples of Britain and Europe from needless Poverty into needless War.

CHAPTER TWENTY-SIX

"TWEEDLEDUM AND TWEEDLEDEE"

SOME farmers are burning the wheat in their fields in order to avoid the expense of harvesting, and over thousands of square miles no attempt will be made to plant a crop for next year, the land being allowed to lie idle. . . . They blame the low price on the policy of the Federal Farm Board, which bought more than 200,000,000 bushels and is still holding them."—*Manchester Guardian,* August 7th, 1931.

That was one of the ways in which the Great Slump hit American farmers. In both hemispheres, during these years, wheat was burned, fish thrown back into the sea, cotton plowed back, coffee "drowned," or burned, fruit allowed to rot on the trees, cattle slaughtered and burnt, textile machinery broken up, potato crops plowed in again, milk poured down the drains. . . . There was (if you please) "over-production" —while millions of human beings were in a state of semi-starvation!

Behind the windowless walls of the Bank of England, Norman and his "band of brilliant young men" continued to deal with numerical ciphers. And with high political issues, in spite of the fact that bankers always maintain that they never interfere in the political sphere.

Candide (Paris, August 6th, 1931), published two columns about the Anglo-French financial discussions. This paper reported that when MacDonald and Henderson were in Berlin (where they "exchanged banalities" with Brüning and Curtius), Snowden was left alone to face the crisis. He got huffy and wouldn't have anything to do with the Bank of England. Meanwhile, gold was flowing out so fast that Kindersley got the "jitters," and without consulting Snowden, telephoned to M. Moret: "Do something for God's sake." Moret amicably replied: "Come along and see us." But while Kindersley was packing his bag, in came Montagu Norman.

"No, no, don't go just yet," said Norman, "wait and see what Moret does. You'll see, things will adjust themselves, and Moret will have to support us for his own protection; whereas, if we ask him for assistance now, God knows what conditions the fellow will try to exact from us."

"But," Kindersley is supposed to have objected, "perhaps that isn't quite fair play?"

"Possibly," replied Norman, according to this report, *"mais combien pratique!"*

Meanwhile, Moret sat and waited. At last Kindersley, giving up hopes of curing Snowden's sulks and getting him to co-operate with Norman, took himself off to Paris.

Moret fixed up a conference, and as the business was to arrange a French credit to England, he thought it his duty to call in representatives of the principal Stock-Exchange Houses. They all turned up; some of them because they had "liquid funds to dispose of," and the

others because they wished to give the impression that they had. These latter, interested in having it known that they were being consulted, revealed the fact to the Press.

When the reports reached Snowden, he was so angry that he instantly recalled Kindersley from Paris, "in spite of the improvement in sterling." Back also came MacDonald and Henderson. They told Snowden not to stand on prestige. "Don't you know," they urged, "that if there is no financial pact between London and Paris, the American bankers are going to withdraw their credits from Germany and, perhaps, from England?" That very quickly cooled Snowden's wrath, and Kindersley went back to Paris. Well, that was *Candide's* story. There may have been a good deal of truth in it.

With more authority, Mr. E. Shinwell, ex-Minister of Mines, speaking at Bathgate, West Lothian, on September 13th, said:—

"I can say with regard to a certain public appointment, Mr. Montagu Norman, Governor of the Bank of England, not only objected to a decision reached by the responsible Government Department and its Ministers, but insisted on the appointment of another person, and also further advised the salary he was to receive. In this case the views of Ministers were overruled and Mr. Norman's advice accepted. The salary granted was also twice as high as that originally proposed."

The man Norman insisted should have this appointment may, of course, have been a better man for the job, and the doubled salary quite appropriate. That is not the point. The point is, by what authority does

the Governor of the Bank interfere with Government appointments and salaries, and what sanctions is he able to bring into play in order to "insist" that his decisions shall be carried out?

You may or may not choose to call all this activity in which Norman was, and still is, engaged, a gigantic network of "financial intrigue," but it was, and is, something very like it. Whatever it may be called, the strain of it all—attending to a hundred and one plans, schemes, schedules, conferences, reports, interviews—told very heavily upon him. During August there were fears for his health. It was clearly becoming too much for him.

He appeared next in Montreal, August 27th, 1931, wearing a velvet beret, instead of the black soft hat. According to some Press reports he was "supposed to be ill," but, all the same, planned to confer with Federal Reserve officials. In October, the *Daily Telegraph* reported Mr. Baldwin as saying: "There is no statesman, no one to whom the world owes more for his unselfish work for the rehabilitation of this country than Mr. Montagu Norman." In the following month, for the thirteenth time, he was elected Governor of the Bank. He is not, however, superstitious.

Speaking of bank control of governmental policy, Lt.-Commander Kenworthy (now Lord Strabolgi) told the world through the medium of the *New Leader,* October 9th, 1931, how:—

"On one memorable occasion the present Governor of the Bank was asked the relationship of the Court of Directors to the Treasury. He replied that it was the relationship of Tweedledum to Tweedledee." That

Lewis Carroll reply was characteristic. It revealed once again the whimsicality of Mr. Norman's personality and the streak of near-insolence. For it took place during a private meeting of members of Parliament, at the House of Commons. The Tweedledum-Tweedledee information should have exploded for ever the popular notion that the Bank of England is under the control of the Treasury, and therefore carries out the requirements of the people's elected Government. But Norman knows that if you tell people the naked truth, it is quite safe—for it is usually too staggering for them to believe!

On another occasion, during these years of slump-crisis and financial panic, a Cabinet of the King's Ministers was kept hanging about for two hours while certain Bank of England directors telephoned to certain New York financiers to make sure that they approved of the wording used in the headings of a British Finance Bill. It certainly is a question: *Who rules Britain—the elected Government of the British People, or the Money Power?* And it is a question that is fast becoming the only question of the day.

CHAPTER TWENTY-SEVEN

GOLD ABANDONED

NOW let us take a quick run-through the sequence of events that was called the "World Crisis." In June, 1931, it began to show itself in an acute form in Germany. Sixty per cent of the world's gold reserves were in the U.S.A. and France. The Darmstadter and National Bank collapsed. The German Government closed all banks. There were bank failures in Austria, Rumania, and Latvia.

In July the Report of the Macmillan Committee was published.

Berlin banks re-opened on July 16th, subject to Reichsbank control of all foreign exchange transactions. British Bank Rate was raised to 3½ per cent, July 23rd. It was raised again to 4½ per cent on the 30th. A British Budget deficit of nearly £120,000,000 was estimated. Frantic efforts were made by Governor Norman to save the situation. Negotiations were opened by the Bank of England with New York and Paris for credits to support sterling.

August 1st, a credit of £50,000,000 was arranged by the central banks of France and the U.S.A. for the Bank of England. An increase of £15,000,000 in the Fiduciary Issue was authorized. The Government's Econ-

omy Proposals were published on the 20th. The financial "crisis" brought on a hurricane political "crisis." Socialist Prime Minister MacDonald "did a Ramsay" on the Labor Party, and went "National" (instead of "National-Socialist"). Baldwin became Lord President of the Council. The famous MacDonald-Baldwin, followed by the Baldwin-MacDonald combination—which was, in reality, a Baldwin-MacDonald-Norman, and later a Baldwin-Norman combination—piloted the ship of State, and just about sank it.

September 10th brought a Supplementary Budget with tax increases, and drastic salary cuts. The watchword now was not only "Tighten your belts," but "Strangle yourselves!" Then came disorder in the Navy—Invergordon, September 15th—as a result of cuts in pay. That terrified MacDonald, Baldwin and Norman. They had to "ease it off" a bit, so far as the Navy was concerned. But please note that the Invergordon "mutiny" was due entirely to *cuts in pay*. It was an economic-financial cause. The debt-system of finance produced that "disaffection"—not Communism, not Red agitators. On the 18th, the Treasury found themselves unable to raise further credits in the United States. This was a bad day for Norman. He had to decide to suspend the gold standard if there was no favorable development the next day.

There was no such development. Treasury credits were practically exhausted. The Bank had lost £30,000,000 in gold during July, over £50,000,000 in gold during August, and the demand for September promised to exceed £100,000,000. Gold exports were suspended on the 19th. The Bank held out to its last sovereign. It

could pay no more. The gold standard was dead and ready for burial.

On September 21st, the Gold Standard was officially suspended. Britain "came off gold." That was a terrible blow to gold-worshiper Montagu Norman. All his precious yellow metal had gone. At any rate, it was supposed to have gone. And what could "a rich community" do without one single golden sovereign—without one little gold "brick" in the vaults of the Bank? There they were, those echoing vaults—empty—as empty as catacombs that have been robbed of their dead. . . . (Were they really empty?—Or was the emptiness "more psychological than real"?)

No matter. The "crisis" was at full blast! A howling blizzard! Restrictions were immediately placed on home Exchange transactions. The Bank Rate was raised to 6 per cent. The London Stock Exchange and all European Bourses, except Paris, Milan, Prague and Switzerland, were closed. And then, one after the other, in quick succession, the countries slid "off gold."

India suspended the gold standard on the 21st, and linked the rupee with sterling. On the 22nd, Denmark suspended gold exports. On the 27th, Norway and Sweden abandoned gold. On the 28th, Denmark followed suit. On October 12th, Finland did likewise. The next day Northern and Southern Rhodesia "went off gold," and linked their currencies with sterling. November 18th, Austria said good-by to the gold standard. The U. S. A. agreed to suspend War Debt payments pending ratification of the Hoover Moratorium, December 11th. On December 13th, Japan suspended

the gold standard. And on the 19th, the Hoover Moratorium was accepted by the U. S. A. Senate. On December 23rd, the Bank for International Settlements Committee reported that Germany was unable to make her reparation payments. (So much for having "taken reparations out of the political arena and put them into a back room in the B. I. S.") On the 30th, Portugal suspended the gold standard.

What a slither—what a landslide! But that was only a beginning. It went on, all through 1932 and 1933. After all those years of toil, Norman saw his house-of-gold—a house built on the gold-dust of the gold-myth—collapse and crumble to nothing throughout the world!

On October 24th, 1931, the *Daily Express,* and, next day, the *Sunday Express,* came out with a composite picture on the occasion of Admiral Dewar's election-propaganda in North Portsmouth. This picture showed the (now bearded) ex-Kaiser on the left-hand side, and Governor Montagu Norman on the right. As a background to these two figures was a picture of the sea, a battleship, guns and other things symbolic of naval power. Surmounting the whole was the title—*"Leaders of Lost Causes";* and then the following legend:—

"The British Navy at Jutland in 1916 beat the ex-Kaiser; and at Invergordon in 1931 it beat Mr. Montagu Norman."

That indicates the anti-Norman feeling that had been generated by the "financial crisis." Everywhere, throughout the world, the bankers got the "jitters." Their whole system had broken down. Just listen to this letter issued at the height of the "crisis":—

Tring Park,
Tring.
October 21st, 1931.

"To the Electors of North Hackney,

"At this vital moment in the history of the Nation and the World everyone must face the fact that if the £ pound sterling loses any further value large numbers of our people will starve and if the Socialist Party is returned to power the rest of the world will see to it, by lowering the exchange, that our food which we must import will cost us so much that many people must starve. If you have one spark of love for your Country, your family and your children, you will VOTE for CAPTAIN HUDSON and the National Government. Not to do so will be betraying your Country, your friends and your families to ruin.

ROTHSCHILD."

The debt-system enforced upon mankind by the international bankers' combine produced a World Crisis that threatened large numbers of "our people" with actual starvation and ruin. And then a world-banker had the impudence to enter the political field and advise—nay, almost threaten—the electorate, in order to scare them into voting for a Government (the "National" Government) that was pledged to maintain the bankers' debt-system!

Starvation and ruin? A financial system working backwards? It was reported in the Press (November 13th) that 6,000 unemployed were engaged in a "rates-war" in Peckham. A large number of these men had been cleared out of their homes under slum-clearance

schemes by the L. C. C. and transferred to "model dwellings," where they were called upon to pay rents twice as high as those of their slum homes. In addition they had to find sums like £2 15s. a quarter for rates. At the time of the report the tenants were "barricading and picketing their homes to keep the bailiffs out." They were all in arrears, and some of them had been sent to prison. But even keeping debtors in prison costs —*money*. And where is the money to come from? . . . Is that the ghost of "Out-of-Nothing" Paterson rising from his grave to—explain? Quick! Put a very heavy tombstone on that grassy mound, to keep him down! And inscribe upon it the words: "Never explain, never apologize."

And the effect of this avalanche slide-from-gold? Sir Charles Morgan-Webb tells us:—

". . . With the reserve of the Bank of England reduced to its last sovereign, there was not the faintest thought or apprehension of panic in Britain in 1931. Nobody rushed to the banks for redemption. A feeling of indescribable relief as from an intolerable burden pervaded the country. Instead of a rush to try to obtain gold, there was a rush in the opposite direction. Everybody tried to convert every bit of gold they happened to have by them into inconvertible paper money. Desks, drawers and bureaux were ransacked to see if some odd sovereigns had been overlooked, or if there were any old and forgotten trinkets that could be sold at a moderate profit and turned into paper money. Afternoon whist and bridge parties were held up while the players related to each other with glee stories of the unexpected windfalls they had obtained by disposing of

any odd coins or bits of golden jewellery they had unexpectedly found in their possession."

The British people, who had thought it most sound and prudent to "go back to gold" in 1925, not only thought it just as sound and prudent to "come off it" in 1931, but experienced "a feeling of indescribable relief as from an intolerable burden."

We may well rub our eyes! Are we awake, or dreaming? Just imagine it! The Bank of England, as Dr. O. W. Sprague, formerly Financial Advisor (lent by the Federal Reserve) to the Bank of England, told the U. S. A. Sub-Committee on Banking and Currency, 1934, had actually parted with "the last sovereign that there was in the Bank," and yet, in the midst of this Terrible Crisis—the British people rushed "to convert every bit of gold they happened to have by them into inconvertible paper money"! It takes a bit of beating, doesn't it? *Where, exactly, was the "Crisis"?* Is it possible that the British people had come to realize, in practice, if not in theory, that "inconvertible paper money" is "just as good as gold"—and even better? Some of them certainly had.

Having seen through the gold-hoax, it may still take the majority of citizens a long time to see through the credit-conjuring-trick—the Great Confidence Trick of the Banking Combine. Most people are just as easily imposed upon in matters of finance as were the followers of Joseph Smith, the founder of the Latter-Day Saints, in regard to other matters. Smith, as Fülöp-Miller says, "was unsurpassed as a master of the witchery of the non-existent." He told his disciples that he was guided by an angel to the discovery of a new Bible. This was the

Book of Mormon, originally inscribed by the Patriarch Mormon upon golden plates in the "reformed" Egyptian language, and buried on a hill at Palmyra in New York State. Having dug up the box containing this revelation of the divine truth, Joseph Smith found a few people ready to finance the publication of the holy book as soon as he had translated it. None of them had set eyes on the golden plates. It had to be kept hidden from the profane. Smith sat behind a green curtain, deciphering the hieroglyphs. Day after day he dictated an English version from the "reformed Egyptian" to certain of his followers sitting on the other side of the curtain. After a time, however, the curiosity of three of these disciples overcame them. They implored their master to show them the golden plates. At last Smith led them behind the curtain, and opened the box. To their utter astonishment—*there was nothing in it!*

"Brother Joseph, where are the golden plates?" they asked timidly. "We cannot see them."

To which Brother Joseph replied: "O ye of little faith! Kneel down and pray. Then you will see them."

They did as they were told, and prayed long and fervently that God might strengthen their weak faith. Some hours later, they begged to be allowed to peep again into the box, and, behold! they could actually see the inscribed plates of gold (that weren't there)!

The *Book of Norman,* however, has never been written. The books of the Bank are quite sufficient, and they are kept hidden from everyone. But the "golden plates" are actually in the vaults. At least,

they may be. Though what use they are remains a mystery.

And so there was no internal "crisis" in Britain when all the world went sliding "off gold." But, of course, there was an external "crisis." Yes?—Where? On the foreign exchange markets that link the import-export barter-system of foreign trade with the debt-generating international financial system. That was serious enough. And yet there was not the slightest need (no logical reason) for any such external "crisis." There was no need for any "crisis" at all. Mankind was very well able to produce and deliver all the Food, Warmth, and Shelter required by each community throughout the world. There was, and is, nothing wrong with the Productive System.

The World Crisis was a "crisis" of fictitious debt in a world teeming to overflowing with Real Wealth.

Did Montagu Norman understand that? Not in the very least. Does he understand it today? He does not. But industrial engineers do understand it, because it is their job to apply Science to Industry. They understand that there is no need whatsoever for Poverty amidst actual and potential Plenty.

CHAPTER TWENTY-EIGHT

"ONE STEP ENOUGH FOR ME"

THE "economic blizzard" swept right on into 1932. January 27th, the German Credit Agreement—the "Standstill Agreement"—came into operation. Equador suspended the gold standard, February 10th. Rumania followed suit on the 25th. Chile, on March 29th. The Exchange Equalization Account was authorized, April 20th. Then Portugal "came off gold," followed by Greece on April 26th, Siam on May 12th, and Peru on the 14th.

The United States, faced with the backwash of this world-"crisis," created a Reserve Fund of $500,000,000 on May 30th. On June 29th, the U. S. A. had gold reserves of £556,400,000, which was £188,400,000 "beyond legal requirements." Yet, on July 1st, that country had a Budget Deficit for 1931—32 of $2,885,000,000. And—would you believe it possible?—on July 12th, it was reported that Governor Norman "favored a return to—" *(yes!)*—"GOLD!"

On the 21st of July, the Ottawa Conference began. On the 20th of August, it ended. Early that month "Professor Clarence Skinner" made his first appearance by name, when he traveled to New York under that alias. The limelight followed him wherever he went.

There was no hiding now. The blinding flash and glare of world-publicity lit his path. It was no use saying "I am on holiday," or "I have only come for a rest." He was in New York to attend a meeting composed of New York, Washington and Philadelphia bankers, and the whole world knew it. The New York *Journal of Commerce,* in an editorial, remarked on the concentration of power in the hands of the central banks and deplored the apparent absence of any "sense of public responsibility" attaching to their policy. It went on to say:—

"Mr. Norman's vacation jaunts in the past have been productive of an enormous amount of international mischief. Nevertheless, he continues to come here with the same bland smile and the same romantic air of mystery surrounding his movements. What he does, he feels, is nobody's business, and the same applies to the mistakes he has made."

That was a dramatic reversal of the adulatory effusions that characterized New York comment on Governor Norman only a year or two before. He was now the Man-with-a-Load-of-Mischief. And he was. He just couldn't help it.

According to the *New York American* for August 26th, when Norman reached the United States (as "Professor Skinner") he was visited on board by the son of J. Pierpont Morgan, and had a private interview with him. All Norman's efforts were towards keeping Britain (and Europe) somehow "in step" financially with the U. S. A. Federal Reserve. If only the World Bankers could keep in step, and thereby keep the peoples of the world equally in debt and unable to break

free, it did not matter that they were marching towards national and international economic antagonisms that must lead to war. It was a very "awkward squad" indeed that Sergeant-Major Norman tried to drill. One after another individual units fell out, exhausted—or began a fight amongst themselves—or began complaining that the rations were not enough to keep a flea alive. . . .

On October 8th, Chancellor of the Exchequer Snowden was saying, in a published article:—

"I have said little of the personality of Mr. Norman. He has, like all strong men, the faculty of arousing admiring devotion and strong dislike. He pursues his own course indifferent to either. Like strong men, too, he is something of an autocrat. He knows his own mind; his course is quite clear to himself, and he does not like interference."

Before long Norman was back again in England, and we shall see in a moment how far he "knew his own mind."

The autumn of 1932 saw no let-up in the effects of the World Crisis. The bankers assembled on October 21st for their annual dinner in London. In reviewing the deepening economic gloom, Norman said:—

"The difficulties are so vast, the forces so unlimited, so novel, and precedents are so lacking, that I approach the whole subject not only in ignorance, but in humility. It is too great for me. I will admit that for the moment the way, for me, is not clear. I am willing to do my best."

He had prefaced this confession of bafflement and failure by saying:—

"For most of us, 'One step enough for me.' That is as far as, on the whole, I can see."

With brilliant psychological insight, coupled with an obviously sincere humility of spirit, he was manipulating an extremely tricky situation. Who else would have thought, at such a moment of economic tension, of quoting a line from the famous hymn "Lead Kindly Light"?——

"Lead Thou me on;
Keep Thou my feet; I do not ask to see
The distant scene—one step enough for me."

It is characteristic of this wizard of Threadneedle Street to put all his cards on the table when he finds himself "up against it." True, the cards were blank on this particular occasion. . . . He had really nothing to say, except to admit quite frankly that he was utterly lost in a dark and bewildering world. The whole situation was beyond him—and he was a big enough man to say so, openly. He approached the whole subject "in ignorance" but also "in humility." There was no attempt to appear as one able to grasp the vast intricacies of the world breakdown of the financial system. He groped his way through the "economic blizzard," stumblingly, and did not pretend otherwise. . . . He realized the risks, the dangers. "One step enough for me," was his watchword, as it might have been the watchword of Bunyan's Pilgrim wading, stumbling, slipping, step by step, through the Slough of Despond. He acknowledged his "ignorance," where other men might not have dared to do so. Humility was the key-

note of this brilliantly enigmatic personality throughout the whole period of the Financial Crisis and the World Depression. Here was an "expert"—the man at the helm of Britain's finances—who did not know what had gone wrong . . . could not see clearly what ought to be done, but who, nevertheless, stuck to his post through thick and thin, determined to weather the storm; with a steadfast faith in his heart that he would bring the good ship through the raging seas to a quiet haven at last. Some may choose to call that "muddling through," but who can doubt that it is better to muddle through than not to muddle at all? During all these trying months Norman typified the British spirit—he improvised from moment to moment, and if it could be shown that we did not, in fact, reach that quiet haven, at least we were still afloat.

"Difficulties so vast . . . forces so unlimited . . . so novel . . . precedents so lacking . . . I approach the whole subject not only in ignorance . . . the way, for me, is not clear. . . ."

Is that the "strong man" who "knows his own mind," whose "course is quite clear to himself"? Not quite, is it? Snowden's build-up of Norman's personality was not psychologically correct. Poor Philip was spellbound by the "strong man" myth, he admired the "autocrat" (how strange these Labor-democrats frequently are!), and he did not recognize the fact that Norman's personality is split—and spliced. It has to be remembered that Norman was born with a golden spoon in his mouth, and is in a position to pursue his own course. But the idea that he "knows his own mind" is only true in the sense that he is unable to make any funda-

mental change in the fixed ideas that have dominated his mind from boyhood up. Those ideas we have already defined: *gold-worship—"stabilization"—and the World Hegemony of Finance.* Each one of those ideas is unworkable in a Power Age of Plenty. They are only workable in an Age of Scarcity and hand-labor.

To the vast changes brought about during the last hundred years by the application of Science to Industry, Norman's mind says: "I wish they would let me stay here. . . ."

But there can be no lingering there. The debt-system of finance is a dangerous anachronism. By enforcing "economic war" so that there is no peace even in "peacetime," it enforces also the next phase of the deadlock—military war.

CHAPTER TWENTY-NINE

CHELSEA REGISTRY OFFICE

IN THE winter of 1930, a foreign diplomat-financier managed to overcome Governor Norman's prolonged refusal to lend £2,000,000 by threatening at last to move gold from the Bank of England. Some little time later, a society woman wrote to a hostess: "Oh, *do* invite Mr. —— to dinner: I *would* like to meet somebody who has managed to screw a couple of millions out of Monty."

"Monty." . . . By 1932 the Rt. Hon. Montagu Collet Norman, D.S.O., had become "Monty," not only to Mayfair and Belgravia, but also to Strube's Little-Man-in-the-Street.

Like some other public figures, Montagu Norman has not only managed to get a legend spun round himself, bright and shining like a suit of fabulous armor woven from threads of fairy gold, but—special distinction of the few—has a popular nickname. Lenin was known as "Ilyich," Mahatma Gandhi is called affectionately "Gadhiji," De Valera is referred to as "Dev," and Mr. Norman is known as "Monty" to friends and foes alike. To those who stand opposed to his policies (especially his critics of the New Economic School of thought) he is frequently spoken of as "Mont Norman," which

is not as friendly-sounding as "Monty," by any means. "Mickey Mouse" and "Monty Norman" are characters firmly established in the imagination of the British people.

To have earned the familiar diminutive, "Monty," is a sure sign of having achieved greatness, at any rate in these islands. It is also a very real achievement, for no other Governor of the Bank of England, during the whole 200-year span of its existence, has ever enjoyed this particular distinction, this glory-crown of recognition bestowed by the commonalty only upon those who happen to stamp their personalities deeply into the popular mind. That in itself is an indication of "Professor Skinner's" unique psychological set-up. There is something heroic in it. It strikes the imagination of all classes. By its own magic it fabricates a legend—a mythical figure steps out boldly from the drabness of everyday life. How much of the "Monty" Norman is fabricated myth, and how much is the real Montagu Collet Norman, it would be hard to say. Probably something like 70 per cent of the man who has become so well known to the people at large exists only in their god-hero-worshiping imaginations—a daydream figure built up on a shred of truth here, a wisp of fact there, by the men who write news-paragraphs and gossip-columns in Fleet Street. But that is so with almost everyone who happens to come into the public eye. It is possible, nevertheless, to make out the real Mr. Norman, as apart from the Professor—("Monty")—Clarence-Skinner myth that walks for ever with him, like a shadow, wherever he goes.

The end of 1932 found him still faced with "diffi-

culties so vast," and "forces so unlimited" as to be "too great" for him. Still the "way was not clear." And still he was "willing to do his best." Even the "one step" was not clear now. France had a gold reserve, on September 29th, of nearly £661,000,000 against a note issue of £640,000,000—i.e., 100 per cent cover. Sad, very sad, to think of the poor Bank of England . . . goldless and forlorn. On the 30th, Germany's debt to America was postponed for 2—2½ years. Roosevelt was elected President on November 8th. On the 10th, Britain asked the U. S. A. for War Debt postponement, and France made a similar request. On the 23rd, the U. S. A. refused France's request, and, on December 11th, a similar refusal was received by Britain. "Pay up, like gentlemen!" said Uncle Sam. War Debt payments were due on the 15th. Britain, Italy, and several smaller powers paid. France did not exactly "default"—she merely deferred payment. Belgium and Poland—naughty boys!—actually defaulted. And then, to crown all, South Africa suspended the gold standard on December 28th. Poor South Africa—the King Solomon's Mines of the world—had to "come off gold"! . . .

These were terrible years for the Despot of Threadneedle Street. Not so much because they meant a vast amount of needless human suffering in every country, and especially in this country: you do not notice that suffering behind the Windowless Walls, nor in the secluded garden at Thorpe Lodge, nor at Moor Place, Much Hadham, nor at the family seat, the Rookery, Bromley, Kent. Nevertheless, the strain of the fearful financial typhoon was a test of Norman's staying-power.

All around him, the debt-system was in the most unbelievable tangle. The whole financial system might founder—and, if it did, revolutions would break out. The "masses" might rise? That was a dreadful thought. . . . Thank goodness, this fellow Hitler was able to hold down the threat of Communism in Germany. The Nazi Movement was something to be thankful for . . . if it didn't go too far.

For sixty-two years Norman had battled with the world alone—a confirmed bachelor. You notice that, throughout these pages, there has not been so much as the whisper of a woman's name; not so much as the rustle of a dress, nor the sheen of a silk stocking. Up to the end of 1932 it is the history of a bachelor-recluse, a hermit-philosopher, a financial-crusader, a lone —and perhaps lonesome—visionary. But now, amidst the roaring gale of "crisis" piled on "crisis," so vast, so unlimited, so novel, a Voice (surely not the voice of "The Professor?") said: *"It is not good that the man should be alone. . . ."*

Shakespeare's Seven Ages—"the whining schoolboy creeping like snail unwillingly to school, and then, the lover, sighing like furnace"—had, somehow, got jumbled in sequence. For now, at the age of 62, just before "the sixth age shifts into the lean and slippered pantaloon" . . . came Spring in Autumn! And, indeed, why not? There is a gold that cannot be bought by the Bank, nor by anyone else, at the standard rate of £3 17s. 10½d. per ounce. And, like the book-entry "credits" of the Bank, it is created "out of nothing," as the Universe itself was created: the "gold" of life that is costless—debt-free—and, therefore, priceless. As

costless and priceless as Solar Energy. No metal disk, no "Promise-to-Pay" printed on paper by the *"Governor and Company of the Bank of England"* can ever redeem it. Having lost the gold from the vaults of the Bank, the Governor had found something more to be desired than gold, yea, than much fine gold.

On January 21st, 1933, Montagu Collet Norman married Priscilla, daughter of the late Major Robert Reyntiens, Belgian Artillery, and Lady Alice Josephine, daughter of the 7th Earl of Abingdon. The marriage took place at the Chelsea Registry Office, and, although there were not many people about at the time, when it came to walking boldly out into the street by the front door, the old shyness came upon him. Even on his wedding day he must slip away unseen, by some backdoor, and across the churchyard at the back . . . no confetti by request, no rice, and particularly no old boots from the wretched down-at-heel unemployed—and no photographs. (Photographs? It is a remarkable thing that neither Vandyks nor Lafayettes have a portrait of Montagu Norman. He must be the only outstanding English figure of the day not in the files of one or other, or both, of these photographers. There are photographs to be found, but they are nearly all snapshots taken by newspaper cameramen, snapped as Norman hurried past—and more or less against his wishes. This fear of being photographed is something far deeper than any natural "humility." It is a real fear—a real desire to pass unnoticed. If only he could learn from H. G. Wells how to become an Invisible Man. . . .)

Mrs. Montagu Norman is a member of the London County Council, and second in command of the

Women's Voluntary Services section of the Air Raid Precautions organization, of which Lady Reading is Chairwoman. Mrs. Norman is an efficient committee-woman. She takes a leading part in public affairs. Altogether, a very capable person; an administrative, organizing type. Exactly the right type for the Governor of the Bank. But (whisper it), that Registry Office ceremony was a bad moment for "The Professor" . . . he has never really recovered from it. He was not entirely "liquidated" perhaps, but his puckish prankery has been very much subdued. There have been no lighthearted "escapades" since then.

And now—as a kind of Honeymoon Hurricane—those same "world causes," not content with the wreckage already done in other parts of the world, must needs sweep over the United States of America! It began almost on the very day of Governor Norman's wedding. On February 2nd, the U. S. A. Government "skedool'd" its Unemployment Relief Plan. Chronic unemployment had attacked the U. S. A. some time ago. Prosperity had vanished—round the corner. Thousands now stood "on the bread-line." During February and March, the U. S. A. Banking Crisis raged like some dreadful disease. Whole strings of banks had to close their doors. Financial houses put up the shutters, one after the other. On March 4th, the New York Stock Exchange had to close. On the 5th, gold exports from the U. S. A. were banned. On the 9th, Roosevelt's "Prosperity Program" was announced. On April 20th, the U. S. suspended the gold standard. Another shattering blow! . . . Oh-dear-oh. . . . (If you want to read unadulterated nonsense, read any standard work on the Gold Standard, how it oper-

ated, why it didn't, and what happened to it. There is not a banker, financier, nor economist in the world who can make sense of it. The whole ramshackle structure knocks P. G. Wodehouse and "Beachcomber" into a cocked hat for sheer laughter-making trashery. Anyone who says he can make head-and/or-tail of it is pulling his own leg without knowing it.) There is just one point that ought to be explained here. Although practically every gold-standard country in the world had, by now, "come off gold," they were, nevertheless, all "on gold"—internationally. That is, they were, and are, still on the "gold-myth" as regards international money-market transactions. Isn't it wonderful? Isn't it magic-wand wizardry? Does it mean anything at all? Yes—unfortunately—it means that the world is still held in Debt.

How does it work? In some of the more poverty-stricken parts of Ireland, the housewife would say: "Sure, we have a fine dinner, so we have!" And when the children asked what it was, she would say: "Bread-and-point, my dearies, the same as yestherday, of course." You point your knife at the (mythical) side of bacon hanging from the ceiling—and eat your dry bread. The international gold standard myth is just like that. The gold isn't there, exactly, but the bankers point at it—and tell you to get on with your crust of bread (and very lucky to have even that, what with all the thousands of tons of wheat that have had to be destroyed).

CHAPTER THIRTY

"HARK, HARK, THE DOGS DO BARK!"

ON JANUARY 30th, 1933, Hitler and his National-Socialist Party, with the help of Thyssen, head of the powerful German Steel Trust (Vereinigte Stahlwerke A.-G.) having a monopoly of the most important raw materials and power-generating plant in Germany —coal, iron, electricity, gas, etc.—gained the seat of governmental power. That event appeared as a ray of hope to the World Bankers.

At the World Economic Conference, which opened in London on June 12th, Neville Chamberlain spoke of "the present chaos." On June 27th, Nazi Germany defaulted, and paid part of her War Debt in blocked marks. The next day, Esthonia renounced the gold standard. France, Belgium, Holland, Switzerland, and Italy agreed to form the *Gold Bloc,* July 3rd. And in July, J. Pierpont Morgan arrived in England to confer with Montagu Norman. In August, Norman was in the U. S. A. once again, where Governor Harrison took him along to have tea with President Roosevelt. The two of them are said to have assured the President that Hitler had made Europe safe for credit-loaning, but America just then was not thinking of lending any more to Europe, and was far more interested in any sign of repayment of past loans.

As happened to so many other public figures, the "Crisis-cum-crisis-cum-crisis" shook up at least the outer layers of Norman's normal "confidence." It was enough to give anyone a shake-up. And perhaps that was one reason why he, like Mae West at a later date, began to take an interest in Dr. Frank Buchman's "Oxford Group Movement." Certainly Sin-sharing and God-guidance were called for in the circumstances, for it seemed as though the End-of-the-World were at hand. . . . Moral rearmament was needed as a tonic by every one of the Central Bankers. With Mae West they could honestly say: "I owe all my success to the kind of thinking moral rearmament is. At heart I practice moral rearmament myself." Anyhow, it is known that Governor Norman attended at least one of the Buchmanite meetings "for sinners only." These cheerio!-God-guided, tennis-playing "hearties" always address each other by their Christian names. It is part of the game. It is not recorded whether they had the heartiness to say: "Hullo, Monty, old boy! —had your Quiet Time today?"

One thing is certain, from somewhere, if not from the Buchman up-and-spill-your-sins gatherings, Governor Norman very rapidly recovered his sang-froid.

By October, 1933, a good deal of the "humility" had evaporated, together with all the "ignorance"! In twelve months a great change had come over "Professor Skinner." Chancellor of the Exchequer Neville Chamberlain, Governor Norman and directors of the Bank of England, and the bankers and merchants of the City of London, attended the dinner given by the Lord Mayor and Lady Mayoress at the Mansion House. As usual, it was an assembly that would have cheered the

heart of Dick Whittington and his cat. As usual, it had all the pomp and circumstance of such gatherings.

In proposing the toast of "Continued Prosperity to the Public Purse," the Lord Mayor talked about "the result of the application of sound principles in dealing with financial and economic matters . . . definite progress . . . improvement" . . . and so forth As usual, none of it meant anything in particular. Just wordy wind, and windy words.

Neville Chamberlain, in reply, said he regretted nothing in "the policy hitherto followed by the Government," and went on to speak of "present improvement . . . if prices can be raised sufficiently." . . . Nothing but the sound of words on the wing. In conclusion he said—"Today our adherence to the principles of sound and prudent finance is beginning to bring its reward"—but he did not say to whom, nor what those principles were. He was merely repeating parrot-like the "Hotum-potum, paradise tantum, perry-merry-dictum, domaree" of the Elders of Basle.

The Chancellor was followed by Winston Churchill, who proposed "The Bankers and Merchants of the City of London," coupled with the toast, "The Health of the Governor of the Bank of England." He spoke of "great changes . . . old principles and ties wrested from their moorings . . . making our way through the fluidity and confusion of the world" . . . and ended by saying:—

"There was a time when the Governor of the Bank of England was not only one of the most mysterious but one of the most uncontroversial personages in the island. It may not be the fault of the Governor of the Bank that his functions have become matters of public

controversy, but we are proud of him and compliment him upon his courage and imperturbability and on the inflexible fidelity with which he discharges what he conceives to be his duty. British banks, confronted as they have been in the last four years by a phenomenon to which no parallel exists, have shown themselves capable of an adaptiveness and a resourcefulness which has been a definite contributory factor in the strength of the country." (Cheers.)

Then up rose Montagu Norman. His speech at the bankers' dinner this year came as a bolt from the blue—a bombshell! But not, perhaps, to the assembled bankers, financiers, merchants, and politicians. A good dinner subdues the mind in its uptake. The speech began with that poetic flourish of phraseology with which "Professor Skinner" has so often rivaled David Lloyd George in his most exalted heights of Eisteddfod-rhetoric. He said:—

"It may be that these dark clouds (of economic depression), with the approach of dawn, will drift away. . . ."

He agreed with "the hopes and more hopeful prospects discerned by the two previous speakers." He spoke again of the "dark clouds hovering ahead. . . ." He went on to say:—

"We here, above all things, have progressed slowly, deliberately, carefully, and successfully, by a process which I may call evolution. We have perhaps done so more than they have in other countries, but generally speaking, finance, banking, and merchanting have progressed slowly and regularly and not by jerks."

Towards the end of his speech, Norman became rather bolder:—

"I am not speaking politically," he said, "I am speaking of those matters which vitally affect the business interests of this community—I say vitally affect it, because we are not only members of a City and of an island, but members of an Empire, a continent, and a world."

Whatever else is national, Finance is international. It is the only Internationale that really works. Governor Norman continued:—

"If our business is to proceed as I believe it will again, we need an adjustment of those conditions. Having at home so hopeful and so firm a background, I believe that we may look forward to some gradual improvement elsewhere, but it will be piece-meal and its course is uncertain."

He was working up to his climax:—

"We shall have many difficulties, we shall have much criticism, we shall have many disagreements, I doubt not, at home and abroad—" (the time-fuse was all set, the bomb about to explode)—"but I console myself with this, that *'the dogs bark but the caravan passes on!'*"

Once again the speech was a masterpiece. No humble pie on this occasion. No groping in the dark. No hymn-quotation. The "dogs," whoever they might be, could bark their criticisms and their complaints. No matter, the "caravan"—the Juggernaut of Finance—would roll along. Let them bark! Who cares? . . . A new note of hope and courage marked this speech. Difficulties there are bound to be. But the caravan is on the move at last. . . . The dawn is breaking. The overhanging pall of

stormclouds will roll away. . . . All's right with the world (or well on the way to being so). Hard-boiled cynics might feel inclined to trot out Old Khayyám—

"The Stars are setting and the Caravan
Starts for the Dawn of Nothing—Oh, make haste!"

—but bankers dining at the Mansion House with the Lord Mayor of London, and all the City bigbugs, took a different view of life. For them, life was real, life was earnest. A form of Coué-ism set in. Every day, in every way, things were getting better and better. The "dogs" bark, of course (what do you expect dogs to do?)—but the caravan passes on. . . .

CHAPTER THIRTY-ONE

STABILIZATION OF THE NAZI REGIME

BY THE end of 1932 the Norman "network" had extended itself to the B. B. C. Mr. Ronald Collet Norman, brother of Montagu, was appointed Vice-chairman of that Corporation in place of Lord Gainford. It was as though the Despot of Threadneedle Street had said: "The critics say there's 'too much Norman,' do they? Right! They shall have some more, just to show 'em who's Boss here! . . . The dogs bark, but the caravan passes on." The Bank, the Treasury, *The Times,* the Privy Council—and now the B. B. C. Even the newspapers talked of the "Montagu Norman Conquest."

I think I have said pretty plainly that the Government —i.e., the Treasury—has to go, cap-in-hand, to the Bank of England in order to get necessary Government advances. Would you like authoritative confirmation on that point? This is what Sir Thomas L. Heath, Joint Permanent Secretary to the Treasury, 1913—19, had to say about it in his book *The Treasury*:—

". . . An Act of 59 Geo. III, c. 76, requires that whenever it is deemed necessary for the public service to make application to the Bank of England for any

> advance authorized by Parliament, such application must be made in writing by the First Lord of the Treasury or the Chancellor of the Exchequer for the time being to the Governor and Deputy-Governor of the Bank. . . . The practical effect is that the Chancellor has to write to the Governor and Deputy-Governor four times a year (towards the end of March, June, September and December) to ask them to move the Court of Directors to consent . . . (p. 78).
>
> ". . . The Treasury may take comfort from the deliberate opinion of the recent Committee on National Expenditure that 'nothing should be done to detract from the efficiency of the Treasury machine for controlling expenditure and effecting economies' " (p. 135).

That is exactly the same as saying that "nothing should be done to detract from the efficiency of the Bank of England as the machine for keeping the nation in a poverty-stricken condition," since Governor Norman has himself explained that the difference between the Treasury and the Bank is "the difference between Tweedledum and Tweedledee."

But why worry overmuch about Britain, when, in fact, "we are not only members of a City and of an island, but members of an Empire, a continent, and a world?" In the spring of 1934 the world was still staggering under its burden of Debt. On May 12th, 1933, the U. S. A. Farm Relief Bill became law. The operation of this, and of other regulations designed to help American agriculture, produced some quite extraordinarily Through-the-looking-glass results. It actually became necessary to pay producers not to produce! Why burn

wheat and coffee, why plow back cotton, why destroy pigs and then have the cost of tipping them into the incinerator? It all costs money, you know. People want to eat and drink? The Poor Silly Consumer says: "I must live." "Why?" asked the World Bankers dealing with World Causes, "Why, if you please, must you live?" They saw at once that the problem was "over-production." And they very soon saw how to remedy that trouble. Pay people not to produce. "I don't call that *very* sensible," said Alice, timidly (for the Bankers were so very huffy, she didn't like to say what she really thought.) "Hold your tongue!" shouted the Mad Bankers. "You cannot possibly understand these extremely difficult technical matters."

Well, the Roosevelt-Reserve-Bank "New Deal" worked out backwards in many ways, or "very largely so," as Norman might say. And on August 18th, 1934, the practical results of the Farm Relief and other measures produced the only bit of comic relief in all that dreary World Depression. The U. S. A. *Financial Chronicle* for that date published the following letter-to-the-editor:—

"SIR,

A friend of mine in New England has a neighbor who has received a check for $1,000 this year for not raising hogs. So my friend now wants to go into the business himself, he not being very prosperous just now. He says, in fact, that the idea of not raising hogs appeals to him very strongly. Of course, he will need a hired man, and that is where I come in.

"I write to you as to your opinion of the best kind

of farm not to raise hogs on, and the best strain of hogs not to raise, and how best to keep an inventory of the hogs you are not raising. Also, do you think capital could be raised by insurance of a non-hog-raising gold bond?

"The friend who got the $1,000 got it for not raising 500 hogs. Now we figure we might easily not raise 1,500 or 2,000 hogs, so you see the possible profits are only limited by the number of hogs we do not raise. The other fellow had been raising hogs for forty years and never made more than $400 in any one year. Kind of pathetic isn't it, to think how he wasted his life raising hogs when he could have made so much more by not raising them?

"I will thank you for any advice you may offer.

"Yours very truly,

"(Signed) HAROLD TRURMAN."

The entirely crazy circumstances that made that leg-pulling letter apposite were also being rapidly developed in Great Britain under the rules and regulations imposed via the various Marketing Boards. Producers were heavily fined for producing too much. Right up to the declaration of a "state of war" against Germany in September, 1939, British potato-growers, for example, were being fined if they grew potatoes that were "too big!"

In a "twist" of the Limerick-lines:

"Some were so small, they were no good at all,
And the others got several big fines."

But never mind about the systematic sabotage of British-grown produce, like potatoes, milk, herrings, fruit. . . . You can only eat those things. Let us turn to questions of High Politics. Writing in *Ken* (Chicago), November 3rd, 1938, Ladislas Farago submitted that:—

> "Between 1934 and 1937, Montagu Norman made several attempts to win Baldwin over to his anti-Russian front. But this 'elder statesman' stubbornly resisted the Governor's persistent attacks; for even though he was no friend of Russian orientation, when faced with a choice he considered Hitler worse than Stalin. Nevertheless, Norman succeeded in planting the idea in the minds of several members of Baldwin's Cabinet. The first Minister to join Norman's anti-Russian, pro-German front was Sir Thomas Inskip, Minister of Co-ordination of Defense, whose anti-Russian attitude was a family affair. . . . The second Cabinet Member to come into line was Sir John Simon, who later was rewarded for his support by elevation to the post of Chancellor of the Exchequer, an office most closely connected with the Bank. The greatest victory was scored when Arthur Neville Chamberlain, then Chancellor of the Exchequer, was also won for Montagu Norman's plan. This decision made him Baldwin's successor when Britain's elder statesman resigned after the Coronation. With Chamberlain's moving into 10, Downing Street, the Bank's anti-Soviet policy made its triumphant entry into Whitehall.
>
> "It is easy to understand Chamberlain's decision to adopt this policy when one considers how closely

he is connected with the financial clique and the armament industry. Among his extensive financial holdings is a considerable block of Imperial Chemical Industries shares, 833 preferential and 5,414 ordinary ones. His son, Francis Chamberlain, is on the staff of Imperial Chemical Industries' sales organization at the main office in Birmingham."

Early in 1934 a select group of City financiers gathered in Norman's room behind the Windowless Walls. Those present included Sir Alan Anderson, partner in Anderson, Green & Co.; Lord (then Sir Josiah) Stamp, Bank of England Director, and Chairman of the L. M. S. Railway; the Hon. Alexander Shaw, Chairman of the P. & O. Steamship Lines; Sir Robert Kindersley, a partner in Lazard Brothers; Charles Hambro, banker; and F. C. Tiarks, head of J. Henry Schroder & Co.

Governor Norman spoke of the political situation in Europe. A new power had established itself, a great "stabilizing force," namely: Nazi Germany. The Hitler regime was the only real bulwark against Soviet Russia and the spread of Communism. "Hitlerism" was no temporary nightmare, but a system of Planned Economy with a great future before it. Norman advised his coworkers to include Hitler in their plans for financing Europe. There was no opposition.

In the same year (1934) British armament firms placed huge advertisements in the *Militaerisches Wochenblatt,* offering for sale tanks and guns, prohibited by the Versailles Treaty. A statement made by Sir Herbert Lawrence, Chairman of Vickers Ltd., showed that the

British Government knew about and approved these advertisements At the annual meeting of his company, Sir Herbert was asked to give an assurance that Vickers arms and munitions were not being used for the secret rearming of Germany. This was his reply: "I cannot give you an assurance in definite terms, but I can tell you that nothing is done without the complete sanction and approval of our own Government."

In May, 1934, a private conference took place between Dr. Schacht and Governor Norman. Then came the "secret conclave" at Badenweiler, in the Black Forest, on June 11th, when Norman again met Dr. Schacht for an "unofficial discussion." They were both on their way to a meeting of the B. I. S. at Basle. Nazi Germany needed a big loan. Early in October, these two met once more at the same Black Forest rendezvous, and again the secret negotiations for the support of Hitlerism were discussed and carried a stage further.

All through 1935 the Bank pursued its pro-Hitler policy, little by little, and bit by bit. In September of that year Norman was "on holiday," once again, in Canada. It was very necessary to keep an eye on the situation there, because a certain William Aberhart had won a sweeping victory at the polls for his so-called "Social Credit" Party in Alberta at the Provincial Elections of August, 1935. Premier Aberhart had promised "a basic dividend of $25-a-month" to every registered Albertan citizen—and had swept the board clean with his whirlwind anti-Money-Power campaign, securing 57 out of 63 seats. That event, as I happen to know from firsthand experience, was a cause of very great perturba-

tion amongst the World Bankers. It generated active and virulent opposition not only from the Central Bank of Canada, and from the financial interests in St. James's Street, Montreal, but also from Threadneedle Street, London, England. It has been said that "Social Credit has been tried and has failed in Alberta." But the truth of the matter is: the only thing that has failed, so far, has been *the attempt to introduce Social Credit.* A very different thing. Aberhart's campaign for a debt-free money-system made the first "break" in the vicious circle of the International Money Ring. It will not be the last.

Towards the end of 1935, Governor Norman was again having private discussions with Dr. Schacht at Basle. These talks had to do with considerations concerning German debt-payments due to be raised at the January meeting of the B. I. S.

Although it may be said that Montagu Norman is not a Fascist, yet, in view of his activities during the rise of Hitlerism, it might be true to label him a crypto-Fascist? Francis Williams, financial editor of the *Daily Herald,* wrote in that paper, as far back as September 30th, 1933, an article in which he referred to "Mr. Montagu Norman's decision to give the Nazis the backing of the Bank." Mr. Williams drew attention to the light thrown on this statement by evidence which he had received of the relations between Mr. Norman and Dr. Schacht, during the period when Dr. Schacht was, for the time being, out of office and first became a member of the Nazi Party. He goes on to say:—

"Mr. Norman then kept in touch with Dr. Schacht,

and frequently ignored Dr. Luther, his successor as President, when he wanted advice.

"Even when Dr. Schacht had come out openly in opposition to the German Government, and was attacking the Reichsbank administration, Mr. Norman relied on him for advice.

"In these circumstances, Mr. Montagu Norman's financial support for the Nazi regime raises questions of the utmost political importance, particularly as this is the first time on record that the Bank of England has ever used its influence in this way to support any foreign bonds or has actually advised a purchase."

This last refers to a rush of speculation in German Bonds that followed an announcement that the Bank of England had pledged itself to a financial scheme, the object of which was *the stabilization of the Nazi regime.* It is quite certain that Norman did all he could to assist Hitlerism to gain and maintain political power, operating on the financial plane from his stronghold in Threadneedle Street. Dr. Schacht and Governor Norman were a Dr.-Jekyll-and-Mr.-Hyde combination. It worked perfectly—for Hitler and for Orthodox Finance. All the raging and roaring in *Mein Kampf* against usury and loan-capital and the banks and moneylending racketeers did not frighten Norman. At that time he felt that Dr. Schacht could be relied upon to tone things down and bring them into line with the dictates and decrees of the Hidden Government, the Government that governs governments, the Money Power. Nazi-ism was born within the caul of orthodox finance, and Dr. Schacht was the midwife.

The Nazi "blood purge" of June 30th, 1934, had, indeed, profoundly shocked the sensitive nature of the artist-dilettante. The man who sighed "I wish they would let me stay here," who wished to linger amongst the bowered nooks of his wide-lawned garden, the poet who had the rebuilding of the Bank "held up" until the doves had nested, and who wept when the old lime-tree had to be cut down, was sickened by the brutal butchery of June 30th. For a moment it seemed that Nazi-ism might be just as much a danger as the dreaded Bolshevism. For a regime that could turn so savagely against its own most trusted leaders of yesterday might easily turn with equally cold-blooded fury against World Finance! . . . But, later, it was clear that the "Clean-up" was no more than an internal Party affair: a most unfortunate occurrence, which, however, kept Hitler in the saddle, and destroyed any possibility of an uprising of the Left-inclined Nazi rank-and-file. It must have been absolutely necessary, or Hitler would not have done it? And, anyhow, "action must be sudden when it comes."

Hitler, at any rate, had learnt the usefulness of the watchword: "Never explain, never apologize." Meantime, the preparations that would enable Nazi Germany to re-arm thoroughly were going forward day by day.

Le Canard Enchaine for August 23rd, 1939, published the following item: "In 1933 there appeared in Holland a book, written by a certain Sidney Warburg, which quickly disappeared from booksellers' windows. In it the author stated that in the preceding year, 1932, he had attended meetings in the United States of financial gentlemen who were seeking means of subsidizing

Hitler. It appears that among those present were Sir Henri Deterding, representatives of Morgan's Bank, Mr. Montagu Norman, Governor of the Bank of England, and representatives of the Mendelssohn Bank."

It all seems very strange today, doesn't it? As Alice said when she stepped through the looking-glass, "It is *rather* hard to understand!" Tomorrow, after all, the whole situation may easily have turned turtle again, and, instead of there being a "state of war" against Nazi Germany. . . .

A financial system run by a Professor Tweedledee and his band of crusading White Knights, for ever attempting to "stabilize" the world in Debt, is bound to produce an equally topsy-turvy political imbroglio.

CHAPTER THIRTY-TWO

AND SO TO WAR

THE same old game of forming and re-forming the cat's-cradle-of-debt went on as usual. *The Times* Basle correspondent reported, April 5th, 1936: "For the first time since the existence of the Bank for International Settlements a board meeting was held to-day in a country other than Switzerland. Dr. Schacht had invited all the Governments to meet at Badenweiler, a German health resort in the Black Forest, where Dr. Schacht has several times spent week-ends with Sir (!) Montagu Norman. The deputy president, Dr. Beyen, will make a statement to-morrow about the Badenweiler meeting and the official meeting of Monday."

Dr. Schacht, you notice, had "invited all the Governments." How entirely right *The Times* correspondent was. Dr. Schacht had, in fact, invited those "who control the credit of the nations," who "direct the policy of Governments," and "hold in the hollow of their hands the destiny of the people." He had invited the bankers.

The *News Review,* September 9th, 1937, said that "confidential measures have been perfected by the Bank of England for slowing down the industrial boom in England." Boom conditions, it was reported, "are not likely to last more than three years, or perhaps four, and it is im-

perative that efforts should be made to guard against a serious slump."

The Boom was, of course, the Rearmament Boom which set in round about 1935. Staggering credits were issued so that Britain could hold her own against the threat of intense German rearmament.

Whether Norman knew it or not, the whole situation was beginning to go, once again, into a flat spin. World markets were steadily shrinking, which meant that the international loan-system was clogged with unpaid debts. Unpaid on paper, that is, because there was no real difficulty (physically) in producing and carrying goods from one country to another as required. In this connection we may quote the *New English Weekly* for June 18th, 1936: "Are there still innocents abroad or is there still a mug born every minute . . . ? Germany is suspect of a compact —not a pact—with Italy in opening up Abyssinia. Italy, it is said, is to provide, on loan of course, the 'light' goods and the labor. Germany is to provide, on loan of course, the 'heavy' goods, from power stations to locomotives and railway lines. Innocent Germany has replied that, alas, Germany has no money. Dr. Schacht at any rate, being a graduate at Mr. Norman's university, knows that you don't need money to lend it to a foreigner. You give him goods, he owes the money, his I.O.U. can be discounted at your bank and everybody is happy. A foreign loan is a sheer gift of goods. But it winds up the clock that makes the book-keeping system start again."

Does Governor Norman understand that? It is very doubtful, because, if he did, the whole foreign loan system (together with the loaning of "public deposits" to the

home Government) would be revealed to him as it really is—sheer lunacy.

By 1938 the situation was far too serious, however, to stop to consider fundamental principles. Norman was driving a crazy-gang car, with brakes that accelerated, a driving-wheel that only turned the headlamps on and off, a clutch that operated the windscreen-wiper, and an engine driving the shaft both ways at once. And very skilled he was in operating this Fun-Fair Auto-car. That this financial mechanism was liable to come to a dead stop, just when you wanted to go forward; or go into reverse, just when you wanted to stop, was not the fault of Chauffeur Norman. Or was it?

Then came the Czechoslovakian Crisis of September, 1938. Europe was on the very brink of war. Prime Minister Chamberlain, with Norman's approval, "did a Munich" on Czechoslovakia—and just managed to save the situation. But not the Czechs.

In December, 1938, Dr. Schacht came over to England and was a guest at Thorpe Lodge. The Press reported that Mrs. Montagu Norman was "the perfect hostess." No statement regarding the conversations was issued. They were said to be "purely personal."

In January, 1939, Governor Norman was on his way to Basle for the monthly meeting of the B.I.S. He stopped first at Amsterdam and later in Berlin, where he had a private talk with Dr. Schacht. The general view in Berlin was that unless British finance was prepared to assist, Hitler "might have difficulty in restraining the extremist elements " in the Nazi Party. Press reports said that the conversations in Berlin were a continuation of discussions

begun at Thorpe Lodge in December, and dealt with two main questions: expanding markets for Germany, and scaling down Germany's foreign debts. The *Daily Telegraph* commented on the "friendly leading articles" with which the German newspapers welcomed Montagu Norman. The *Evening Standard* said that the German Press appeared to have taken it for granted that Norman would attempt to "reach an understanding for co-operation between Germany and British cartels in S. E. Europe." It was rumored that big new British export credits for Germany, to the amount of £75,000,000, might be forthcoming.

On March 15th—16th, 1939, Hitler made his sudden swoop upon Czechoslovakia, dismembered it, and "took over" Memel a week later. This torpedoed without warning all those plans for a possible credit-loan to Germany.

On the evening of the 16th of March, at the very moment when the Nazi troops were occupying Bohemia and Moravia, Montagu Norman was making his first broadcast from the B.B.C. It was a talk about the Bank and how it "advises" the Government. As one might expect, his voice and intonation have something of the wearisome cadence of a Zion chapel preacher. As he left Broadcasting House he was mobbed by British Social Credit Party demonstrators carrying flags and slogan-boards bearing the words:—

"CONSCRIPT THE BANKERS FIRST!"

A crowd assembled. Fleet Street cameramen lit the scene with the blinding flashes of their photofloods, while roars of disciplined chorus-shouting rent the air:—

"Down with the Bankers' Combine!"

"Conscript the Bankers First!"

"Social Credit is coming!"

The strange, bearded figure, with its large soft hat, and the curiously clandestine air of cultured masquerade, was utterly nonplussed—shocked—by this unexpected display of hostility. It was something that had never happened to him before. For a moment his psyche wilted. He had to be almost lifted into his car. Leaflets directly indicting Norman's financial policy as the chief cause of the latest "war crisis" in Europe, were being distributed amongst the crowd as he drove away.

All through the months of 1939, from January to August, the situation was tip-and-go. Need we tell again the sinister story of the "Czech Gold," how the Bank of England held it as custodians, and how it quietly passed over to the Nazis in the spring of the year?

As the summer wore on the Polish Crisis loomed up inevitably. Clearly Poland was to be the victim of the next Nazi smash-and-grab-raid. Would Hitler plunge Europe into war? There followed a period of hectic exchanges of diplomatic communications between London and Berlin, culminating in specific warnings by Chamberlain and Halifax to Hitler of the consequences if he tried to "do a Czechoslovakia" on Poland.

And so Hitler turned towards the Kremlin—yes, towards the Red Citadel of the hated "Bolshevismus"! He was ready to shake hands with "Jewish"-Marxist-Communism, and late in August managed to negotiate a Nazi-Soviet Pact. This must have been a knock-out blow for many of the hopes of "Professor Clarence Skinner." But worse was to follow.

At dawn on September 1st, 1939, Hitler marched troops into Poland.

Two days later, Britain and France declared a "state of war" against Germany.

On September 17th, Soviet Russia moved troops into Poland. . . .

The outbreak of war in 1914 found the British banking system "bankrupt," and the Government of the day had to rush to the rescue with a flood of Treasury Notes. How did the banking system stand at the outbreak of "a state of war" on September 3rd, 1939? It was just as "bankrupt" as on August 4th, 1914—but it did not matter, and the public did not know it. There was no panic, no "run" on the banks. War-finance was merely an extension of "peace"-finance. Credits were created (for war) as required—*but not on a debt-free basis.* As before, it was a matter of borrowing from the bankers. This time, however, there was no need for any large-scale issue of extra paper-money. Britain has been using "printing-press money" unbacked by gold since September 21st, 1931. And still the Government had not the sense to put an end to borrowing and issue and cancel "out-of-nothing" tickets-for-goods free of debt, keeping the nation's financial position "solvent" by means of book-keeping only.

When something like 500,000 children were evacuated on September 1st and 2nd, there was a problem of cash-shortage for certain payments in connection with this exodus. To meet this cash emergency the Government decreed that Postal Orders—bits of printed paper—should be used as legal tender. Those Postal Orders were backed by nothing but—"confidence." A proper extension of that Postal Order legal tender could have become a thin-end-

of-the-wedge for the establishment of a debt-free money-ticket system controlled by the Government via the Post Office. But the Government, as in the past, was a Bankers' Government, in the sense that it did what the "Despot of Threadneedle Street" advised. It would never do to allow those Postal Orders to oust the debt-created £1 and 10/- notes. P. O. money, instead of B. of E. money, is dangerous. . . . The British public, finding that Postal Orders can be used "over the counter" for goods and services, might discover that they are just as good as Governor Norman's "I -Promise-to-Pay" scraps of paper; just as, in 1914, they discovered that "Bradburys" were just as good as gold. *And one day they will discover it.* That day will be the Day of Reckoning—not in savage revenge against the bankers—but a True Reckoning of Real Wealth, in place of a system based upon Fictitious Debt. That day—*Der Tag* of Common Sense—is certainly coming; and the war of 1939 inevitably speeds the dawn of that day.

From, roughly, 1936 to 1939, rearmament in Britain had cost £800,000,000. On the 27th of September, 1939, Chancellor of the Exchequer Sir John Simon introduced a Supplementary War Budget totalling nearly £2,000,-000,000, of which one half was to be raised by taxation and the other half by borrowing. And that was no more than a beginning, for the Supplementary Budget was only to cover national expenditure for the ensuing year.

Where was the money to come from?

"Never explain, never apologise. . . ."

But before we conclude let me quote a few words of hope for a world held in thrall to artificial poverty and driven into needless war. The late Sir Basil Blackett, of

the Bank of England, said in 1931, at the time of the Economic Blizzard:—

> "It may be that even now, just round the corner, there is waiting for mankind some very simple device comparable to the use of the cipher in numerical notation or to the placing of the axle under the centre of the carriage, which will revolutionise our financial theory and practice, and save future generations from the recurrence of the disastrous sequence of boom, slump, boom, slump."

THE END

BIOGRAPHICAL SUMMARY

Montagu Collet Norman

1871 . . . Sept. 6, born, son of Frederick Henry Norman, of Moor Place, Much Hadham, Herts, partner in Martin's Bank, and Lina Susan Penelope, only daughter of Sir Mark Wilks Collet, partner, Brown, Shipley & Co., bankers.

1884–89 Educated Eton.

1890 . . . Cambridge.

1891 . . . Joined Brown, Shipley & Co. Spent some time with Brown Brothers & Co. (now Brown Brothers, Harriman & Co.), New York bankers, "opposite number" of Brown, Shipley & Co., London.

1900 . . . Admitted to partnership, Brown, Shipley & Co.

1901–2 Served with 4th Herts Battn. (Herts Militia), Bedfordshire Regt., in S. African War. Dispatches, D.S.O., Queen's medal, 4 clasps.
Returned to Brown, Shipley & Co., after Boer War.

1907 . . . Director, Bank of England.

1915 . . . Deputy-Governor, Bank of England.

1920 . . . Governor, Bank of England.

1922 . . . With Baldwin to Washington to confer with U.S.A. War Debt Commission.

1922–31 Attempted to "stabilize" Europe by establishing network of central banks.

1923 . . . Privy Councillor.

1924 . . . Appointed to Committee to "ensure political independence" of *The Times* newspaper.

1925 . . . Brought Britain "back to gold."

1930 . . . Called before Macmillan Committee.

" . . . Set up Bank for International Settlements.

1931 . . . Again called before Macmillan Committee.

" . . . Attempted to establish World Trade Bank.

" . . . The "Great Slump."

" . . . Fears for his health.

" . . . Gold Standard suspended.

1932 . . . Travelled to New York as "Professor Clarence Skinner."

" . . . "Ignorance and humility" speech at Bankers' Dinner.

1933 . . . Jan. 21, married Priscilla, daughter, late Major R. Reyntiens, and Lady Alice Josephine, daughter, 7th Earl of Abingdon.

" . . . "Dogs bark, but caravan passes on" speech at Bankers' Dinner.

1935 . . . Visited Canada to survey so-called "Social Credit" experiment in Alberta.

1935 . . . Sanctioned loans for British Rearmament Programme.

1936–38 Conferred with Dr. Schacht regarding Nazi debt position and possible credit-loan to Germany.

1939 . . . March 16, first broadcast from B.B.C. Mobbed by British Social Credit Party demonstrators.

" . . . "Czech Gold" episode.

" . . . Sanctioned £2,000,000,000 Supplementary War Budget.

1941 . . . August 18, *Evening Standard* of London reported return of Norman from the Churchill-Roosevelt Conference at which the Atlantic Charter was framed.

" . . . September, passed the Bank of England's retiring age of 70 but was elected to serve at least another year as Governor.

ACKNOWLEDGMENTS

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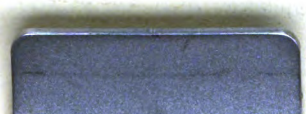

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